

SCHOOL DISTRICT OF WAUPACA

Annual Financial Report

June 30, 2021

SCHOOL DISTRICT OF WAUPACA

Table of Contents

June 30, 2021

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
FINANCIAL STATEMENTS	
District-Wide Statement of Net Position	4
District-Wide Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the District-Wide Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the District-Wide Statement of Activities	9
Notes to Financial Statements	10 – 38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System	39
Schedule of Changes in Total Pension Liability and Related Ratios – Supplemental Pension	40
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Post-Employment Benefits – Single-Employer Plan	41
Schedules of Employer's Proportionate Share of the Net OPEB Liability and Employer Contributions – Other Post-Employment Benefits – Cost-Sharing Plan	42
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	43
Notes to Required Supplementary Information	44 – 46
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-Major Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	48
Combining Schedule of Internal General and Special Education Funds – Balance Sheet	49
Combining Schedule of Internal General and Special Education Funds – Revenues, Expenditures and Changes in Fund Balances	50
Schedule of Charter School Authorizer Operating Costs	51
Schedule of Charter School Authorizer Services and Costs	52

SCHOOL DISTRICT OF WAUPACA

Table of Contents (Continued)

June 30, 2021

	<u>Page</u>
ADDITIONAL REPORTS	
Independent Auditors' Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53 – 54
Independent Auditors' Report on Compliance with Requirements for Each Major Federal and State Program and on Internal Control Over Compliance Required by Uniform Guidance, <i>State Single Audit Guidelines</i> , and <i>Wisconsin Department of Public Instruction</i>	55 – 56
FEDERAL AND STATE AWARDS SECTION	
Schedule of Expenditures of Federal Awards	57
Schedule of State Financial Assistance	58
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	59
Schedule of Findings and Responses	60 – 63
Summary Schedule of Prior Audit Findings	64
Corrective Action Plan	65



Independent Auditors' Report

To the Board of Education
School District of Waupaca
Waupaca, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Waupaca (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Waupaca as of June 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
School District of Waupaca

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of employer's proportionate share of net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in total pension liability and related ratios – supplemental pension, schedule of changes in total OPEB liability and related ratios – other post-employment benefits – single-employer plan, schedules of employer's proportionate share of the net OPEB liability and employer contributions – other post-employment benefits – cost-sharing plan, and schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund on pages 39 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of Waupaca's basic financial statements. The combining nonmajor governmental fund financial statements and the combining schedules of internal general and special education funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying schedule of charter school authorizer operating costs, schedule of charter school authorizer services and costs and schedule of state financial assistance are presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the Wisconsin Public School District Audit Manual, issued by the Wisconsin Department of Public Instruction and are not a required part of the basic financial statements.

To the Board of Education
School District of Waupaca

Supplementary Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the School District of Waupaca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Waupaca's internal control over financial reporting and compliance.

KerberRose SC

KerberRose SC
Certified Public Accountants
Shawano, Wisconsin
December 14, 2021

FINANCIAL STATEMENTS

SCHOOL DISTRICT OF WAUPACA
District-Wide Statement of Net Position
As of June 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 11,084,699
Taxes Receivable	3,499,028
Accounts Receivable	5,561
Due from Intermediate Sources	13,609
Due from State Government	206,848
Due from Federal Government	172,917
Inventory	2,081
Total Current Assets	14,984,743
Noncurrent Assets	
Net Pension Asset	5,715,402
Land	558,095
Buildings and Building Improvements	48,426,648
Machinery and Equipment	5,572,675
Less: Accumulated Depreciation	(29,900,420)
Total Noncurrent Assets	30,372,400
TOTAL ASSETS	45,357,143
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	9,015,726
Deferred Outflows Related to Supplemental Pension Benefits	273,565
Deferred Outflows Related to Other Post-Employment Benefits - Single-Employer Plan	218,055
Deferred Outflows Related to Other Post-Employment Benefits - Cost-Sharing Plan	544,613
Total Deferred Outflows of Resources	10,051,959
LIABILITIES	
Current Liabilities	
Accounts Payable	188,652
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	2,668,666
Interest	1,837
Unearned Revenue	36,586
Current Portion of Long-Term Obligations	481,301
Total Current Liabilities	3,377,042
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Obligations	4,045,692
TOTAL LIABILITIES	7,422,734
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	12,559,164
Deferred Inflows Related to Supplemental Pension Benefits	43,356
Deferred Inflows Related to Other Post-Employment Benefits - Single-Employer Plan	286,706
Deferred Inflows Related to Other Post-Employment Benefits - Cost-Sharing Plan	233,450
Total Deferred Inflows of Resources	13,122,676
NET POSITION	
Net Investment in Capital Assets	24,447,040
Restricted	2,837,158
Unrestricted	7,579,494
TOTAL NET POSITION	\$ 34,863,692

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA

District-Wide Statement of Activities

For the Year Ended June 30, 2021

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services		Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular Instruction	\$ 8,092,352	\$ 920,642	\$ 1,954,372	\$ (5,217,338)
Vocational Instruction	884,139	-	17,766	(866,373)
Physical Instruction	612,480	50	-	(612,430)
Special Instruction	2,736,278	69,143	1,645,936	(1,021,199)
Other Instruction	597,058	-	143,657	(453,401)
Total Instruction	<u>12,922,307</u>	<u>989,835</u>	<u>3,761,731</u>	<u>(8,170,741)</u>
Support Services				
Pupil Services	1,257,709	-	-	(1,257,709)
Instructional Staff Services	1,701,144	-	323,327	(1,377,817)
General Administration Services	1,470,937	-	-	(1,470,937)
Building Administration Services	1,369,615	-	-	(1,369,615)
Business Services	1,302,512	-	-	(1,302,512)
Operations and Maintenance	3,224,435	-	-	(3,224,435)
Pupil Transportation Services	1,216,408	-	59,042	(1,157,366)
Food Service	775,331	38,618	883,097	146,384
Central Services	917,528	-	-	(917,528)
Insurance	216,517	-	-	(216,517)
Other Support Services	249,096	-	-	(249,096)
Interest and Fiscal Charges	10,630	-	-	(10,630)
Total Support Services	<u>13,711,862</u>	<u>38,618</u>	<u>1,265,466</u>	<u>(12,407,778)</u>
Non-Program Transactions				
Open Enrollment	1,096,023	-	-	(1,096,023)
Non-Open Enrollment	847,815	-	-	(847,815)
Total Non-Program Transactions	<u>1,943,838</u>	<u>-</u>	<u>-</u>	<u>(1,943,838)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 28,578,007</u>	<u>\$ 1,028,453</u>	<u>\$ 5,027,197</u>	<u>(22,522,357)</u>
GENERAL REVENUES				
Property Taxes:				
General Purposes				12,155,843
Debt Service				216,256
State and Federal Aids not Restricted to Specific Functions:				
Equalization Aid, Exempt Computer Aid				12,306,584
Interest and Investment Earnings				6,659
Miscellaneous				72,152
Total General Revenues				<u>24,757,494</u>
CHANGE IN NET POSITION				2,235,137
NET POSITION - BEGINNING OF YEAR - AS RESTATED				<u>32,628,555</u>
NET POSITION - END OF YEAR				<u>\$ 34,863,692</u>

SCHOOL DISTRICT OF WAUPACA

Balance Sheet
 Governmental Funds
 As of June 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 10,424,153	\$ 660,546	\$ 11,084,699
Taxes Receivable	3,499,028	-	3,499,028
Accounts Receivable	5,489	72	5,561
Due from Intermediate Sources	13,609	-	13,609
Due from State Government	206,848	-	206,848
Due from Federal Government	122,017	50,900	172,917
Inventory	2,081	-	2,081
TOTAL ASSETS	<u>\$ 14,273,225</u>	<u>\$ 711,518</u>	<u>\$ 14,984,743</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 187,876	\$ 776	\$ 188,652
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	2,661,541	7,125	2,668,666
Unearned Revenue	-	36,586	36,586
Total Liabilities	<u>2,849,417</u>	<u>44,487</u>	<u>2,893,904</u>
Fund Balances			
Nonspendable:			
Inventory	2,081	-	2,081
Restricted:			
Donor Intentions	-	331,110	331,110
Food Service	-	98,961	98,961
Capital Expansions	-	236,960	236,960
Unassigned	11,421,727	-	11,421,727
Total Fund Balances	<u>11,423,808</u>	<u>667,031</u>	<u>12,090,839</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,273,225</u>	<u>\$ 711,518</u>	<u>\$ 14,984,743</u>

SCHOOL DISTRICT OF WAUPACA
 Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position
 As of June 30, 2021

Total Fund Balances - Governmental Funds		\$ 12,090,839
<i>Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balances because:</i>		
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Capital Assets	54,557,418	
Accumulated Depreciation	<u>(29,900,420)</u>	24,656,998
Net pension asset is not usable in the current period therefore not reported in the fund financial statements.		5,715,402
Deferred outflows and inflows of resources are not an available financial resource; therefore, they are not reported in the fund financial statements.		
Deferred Outflows of Resources Related to Pension	9,015,726	
Deferred Inflows of Resources Related to Pension	(12,559,164)	
Deferred Outflows of Resources Related to Supplemental Pension	273,565	
Deferred Inflows of Resources Related to Supplemental Pension	(43,356)	
Deferred Outflows of Resources related to OPEB - Single-Employer Plan	218,055	
Deferred Inflows of Resources related to OPEB - Single-Employer Plan	(286,706)	
Deferred Outflows of Resources related to OPEB - Cost-Sharing Plan	544,613	
Deferred Inflows of Resources related to OPEB - Cost-Sharing Plan	<u>(233,450)</u>	(3,070,717)
Certain liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Liabilities reported in the statement of net position that are not reported in the funds balance sheet:		
General Obligations	(209,958)	
Accrued Interest	(1,837)	
Compensated Absences	(481,683)	
Supplemental Pension Benefits Liability	(1,372,974)	
Post-Employment Benefits Liability - Single-Employer Plan	(1,118,744)	
Post-Employment Benefits Liability - Cost-Sharing Plan	<u>(1,343,634)</u>	(4,528,830)
Total Net Position - Governmental Activities		<u><u>\$ 34,863,692</u></u>

SCHOOL DISTRICT OF WAUPACA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 12,155,843	\$ 216,256	\$ -	\$ 12,372,099
Other Local Sources	44,879	-	182,275	227,154
Interdistrict Sources	989,173	-	-	989,173
Intermediate Sources	55,450	-	-	55,450
State Sources	14,085,362	-	18,999	14,104,361
Federal Sources	2,166,215	-	864,098	3,030,313
Other Sources	23,522	-	8,472	31,994
Total Revenues	<u>29,520,444</u>	<u>216,256</u>	<u>1,073,844</u>	<u>30,810,544</u>
EXPENDITURES				
Instruction:				
Regular Instruction	8,926,639	-	-	8,926,639
Vocational Instruction	953,656	-	-	953,656
Physical Instruction	658,169	-	-	658,169
Special Instruction	2,971,929	-	-	2,971,929
Other Instruction	631,074	-	-	631,074
Total Instruction	<u>14,141,467</u>	<u>-</u>	<u>-</u>	<u>14,141,467</u>
Support Services:				
Pupil Services	1,341,057	-	19,360	1,360,417
Instructional Staff Services	1,810,064	-	-	1,810,064
General Administration Services	517,185	-	-	517,185
Building Administration Services	1,302,380	-	135,775	1,438,155
Business Services	1,152,399	-	-	1,152,399
Operations and Maintenance	3,213,499	-	12,000	3,225,499
Pupil Transportation Services	1,199,342	-	-	1,199,342
Food Service Operations	-	-	822,754	822,754
Central Services	962,396	-	-	962,396
Insurance	216,517	-	-	216,517
Other Support Services	236,613	-	-	236,613
Principal and Interest	-	216,256	-	216,256
Total Support Services	<u>11,951,452</u>	<u>216,256</u>	<u>989,889</u>	<u>13,157,597</u>
Non-Program Transactions:				
Open Enrollment	1,096,023	-	-	1,096,023
Non-Open Enrollment	847,815	-	-	847,815
Total Non-Program Transactions	<u>1,943,838</u>	<u>-</u>	<u>-</u>	<u>1,943,838</u>
Total Expenditures	<u>28,036,757</u>	<u>216,256</u>	<u>989,889</u>	<u>29,242,902</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,483,687	-	83,955	1,567,642
OTHER FINANCING SOURCE				
Proceeds from Sale of Capital Assets	2,600	-	-	2,600
NET CHANGES IN FUND BALANCES	1,486,287	-	83,955	1,570,242
FUND BALANCES - BEGINNING OF YEAR - AS RESTATED	9,937,521	-	583,076	10,520,597
FUND BALANCES - END OF YEAR	<u>\$ 11,423,808</u>	<u>\$ -</u>	<u>\$ 667,031</u>	<u>\$ 12,090,839</u>

SCHOOL DISTRICT OF WAUPACA

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

Net Change in Fund Balances - Total Governmental Funds \$ 1,570,242

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

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

Capital outlay reported in governmental fund statements	222,723	
Depreciation expense reported in the statement of activities	(1,245,630)	
Adjustments to Capital Assets	<u>(800)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(1,023,707)

Amounts related to the pension plans that affect the statement of activities but do not affect the fund financial statements.

Pension		1,621,970
Supplemental Pension		44,369

Amounts related to OPEB plans that affect the statement of activities but do not affect the fund financial statements:

Post Employment Benefits - Single-Employer Plan	(14,569)	
Post Employment Benefits - Cost-Sharing Plan	<u>(144,386)</u>	(158,955)

Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Compensated absences paid in current year	246,478	
Compensated absences earned in current year	<u>(270,886)</u>	
Amounts paid are less than amounts earned by		(24,408)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is		203,842
--	--	---------

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	(12,414)	
The amount of interest accrued during the current period	<u>14,198</u>	
Interest paid is less than interest accrued by		<u>1,784</u>

Change in Net Position - Governmental Activities \$ 2,235,137

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of School District of Waupaca (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). These accounting policies conform to GAAP and have been consistently applied in the preparation of the financial statements. The more significant accounting policies established by GAAP and used by the District are discussed below.

Nature of Operations

The School District of Waupaca is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades preschool through 12 and is comprised of eleven taxing districts.

The accompanying financial statements present the activities of School District of Waupaca. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

District-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipients for goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue, capital project or debt service based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

Major Funds

The District reports the following major governmental funds:

General Fund - The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Non-Major Funds

The District reports the following non-major funds:

Special Revenue Trust Fund - This fund accounts for resources and payments made for gifts given to the District for specific projects, as well as for student fundraising activities.

Capital Expansion Fund - This fund accounts for resources and payments made for capital expenditures related to buildings or sites.

Food Service Fund - This fund accounts for the activities associated with the District's breakfast and lunch programs.

The District has adopted GASB Statement No. 84, *Fiduciary Activities* for the year ended June 30, 2021. This statement revised the definition of fiduciary activities that may be and must be reported as fiduciary funds. The criteria provided focus on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Four types of fiduciary funds that could be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. As a result of adopting this statement, the District reclassified Student Activity Fund activity to be reported in the governmental funds. Specifically, this activity will be reported prospectively in the District's Special Revenue Trust Fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial report.

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

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

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted resources may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash and Investments

The District's cash is considered to be cash on hand, and demand deposits. Cash balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the State Investment Board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Accounts Receivable

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

Property Taxes

The aggregate District tax levy is apportioned and certified by November 6th of the current fiscal year for collection by comprising municipalities based on the immediate past October 1st full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable by the subsequent January 31th and a final payment no later than the following July 31th. On or before January 15th, and by the twentieth of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20th, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2020 tax levy is used to finance operations of the District's fiscal year ended June 30, 2021. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Inventory

Inventory is recorded at cost, which approximates market, using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventory of governmental fund types in the fund financial statements is classified as nonspendable fund balance to indicate it does not represent spendable available financial resources.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Activity

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Capital Assets

In the district-wide statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at actual or estimated historical cost if actual cost is unavailable, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated acquisition value at the date of donation.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: buildings, improvements, machinery, and equipment are capitalized using a capitalization threshold of \$1,000. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 20-50 years and machinery and equipment of 5-20 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Compensated Absences

The District's policy allows non-certified employees to earn varying amounts of vacation pay. Upon termination of employment, the employee is entitled to a cash payment of unused vacation pay. Any vacation not taken by August 31 is forfeited. Administrators and teachers are allowed to earn varying amounts of sick pay accumulating to a maximum vested amount. Upon retirement, the employee is entitled to a credit for the amount of unused sick pay, to be used to pay the retiree's group health insurance until the vested amount is exhausted.

In the fund statements, benefits that require payment in the future fiscal years though related to currently received services are recorded as an expenditure in the period or periods in which they are paid or normally payable rather than the period in which they are incurred. The value of vested benefits payable in future fiscal periods are recorded in the district-wide statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Principal payments decrease the long-term debt liability on the statement of net position and do not affect the statement of activities. Interest is reported as an expense in the statement of activities on the accrual basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal and interest payments are reported as debt service expenditures.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The District has four deferred outflows of resources reported on the statement of net position. The deferred outflows related to the pension plan are explained in more detail in Note 6. The deferred outflows related to the supplemental pension plan are reported in more detail in Note 6. The deferred outflows related to the single employer OPEB are explained in more detail in Note 7. The deferred outflows related to the OPEB plan are explained in more detail in Note 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The District has four deferred inflows of resources reported on the statement of net position. The deferred inflows related to the pension plan are explained in more detail in Note 6. The deferred inflows related to the supplemental pension plan are explained in more detail in Note 6. The deferred inflows related to the single employer OPEB are explained in more detail in Note 7. The deferred inflows related to the OPEB plan are explained in more detail in Note 7.

Pension and Other Post-Employment Benefits

Pensions

Wisconsin Retirement System

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

Stipend Pension Plan

Qualifying teachers and administrators are provided with a stipend pension. The stipend pension is a single employer defined benefit plan administered by the District. For purposes of measuring the stipend pension liability, related deferred outflows and inflows and pension expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Other Post-Employment Benefits (OPEB)

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense (revenue), 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 member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Single-employer Defined Postemployment Benefit Plan

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

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the statement of net position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

Fund Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted component of net position – Consist of resources with constraints placed on the 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 component of net position – Net amount that does not meet the definition 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 Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent period. The Board of Education is the decision making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance in the general fund represents amounts constrained by the Board of Education for a specific intended purpose. The District has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has not adopted a minimum fund balance policy.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

Note 2 - Cash and Investments

The debt service and capital expansion funds account for their transactions through separate and distinct bank and investment accounts as required by state statutes. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- 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, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant resolutions of the District.

At June 30, 2021 the bank balance of cash was \$2,223,650. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial risk.

Deposits in each bank are insured by the FDIC in the amount of \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

Deposits in credit unions are insured by the National Credit Union Share Insurance Fund (NSUSIF). NCUA's standard maximum share insurance amount is \$250,000.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 2 - Cash and Investments (Continued)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental entities. This coverage has not been considered in the summary of deposits below.

The following represents a summary of deposits as of June 30, 2021:

Fully Insured Deposits	\$	566,211
Collateralized		<u>1,657,439</u>
	\$	<u>2,223,650</u>

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and the 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.

Investments in the local government investment pool are not insured against losses arising from principal defaults on securities acquired by the pool. The balance in the local government investment pool at June 30, 2021 was \$9,092,463.

The District's LGIP investments are measured at amortized cost, which approximates fair value. Adjustments necessary to record investments at amortized cost are recorded in the statement of revenues, expenditures and changes in fund balances as increases or decreases in investment income.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets not being Depreciated:					
Sites (Land)	\$ 558,095	\$ -	\$ -	\$ -	\$ 558,095
Capital Assets being Depreciated:					
Buildings and Building Improvements	48,426,648	-	-	-	48,426,648
Machinery and Equipment	5,394,486	222,723	44,534	-	5,572,675
Total Capital Assets Being Depreciated	53,821,134	222,723	44,534	-	53,999,323
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(24,590,128)	(1,019,704)	-	-	(25,609,832)
Machinery and Equipment	(4,108,396)	(225,926)	(44,534)	(800)	(4,290,588)
Total Accumulated Depreciation	(28,698,524)	(1,245,630)	(44,534)	(800)	(29,900,420)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	25,122,610	(1,022,907)	-	(800)	24,098,903
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 25,680,705	\$ (1,022,907)	\$ -	\$ (800)	\$ 24,656,998

Depreciation expense for fiscal year ended June 30, 2021 amounted to \$1,245,630 and was charged to the following functions:

Instruction:	
Regular	\$ 191,911
Support Services:	
General Administration	962,411
Operations and Maintenance	27,509
Pupil Transportation	17,066
Food Service	4,450
Support and Administration	42,283
Total Depreciation Expense	<u>\$ 1,245,630</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 4 - Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
General Obligation Debt					
State Trust Fund Loan	\$ 413,800	\$ -	\$ 203,842	\$ 209,958	\$ 209,958
Compensated Absences	457,275	270,886	246,478	481,683	51,833
Supplemental Benefit Plan - Stipend	1,404,970	128,691	160,687	1,372,974	128,691
Other Post-Employment					
Benefits - Cost-Sharing Plan	1,057,365	435,397	149,128	1,343,634	-
Other Post-Employment					
Benefits - Single-Employer Plan	1,110,848	90,819	82,923	1,118,744	90,819
Total Long-Term Liabilities	<u>\$ 4,444,258</u>	<u>\$ 925,793</u>	<u>\$ 843,058</u>	<u>\$ 4,526,993</u>	<u>\$ 481,301</u>

Total interest paid for the year ended June 30, 2021, was \$12,414 for general obligation debt as reflected in the fund financial statements.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2021, is comprised of the following individual issue:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/21</u>
Long-Term Obligations:					
State Trust Fund Loan	07/14/17	03/15/22	3.00%	\$ 1,000,000	<u>\$ 209,958</u>

Legal Margin for Debt

The 2020 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,732,413,030. The legal debt limit and margin of indebtedness as of June 30, 2021, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Equalized Valuation of the District	\$ 1,732,413,030
Statutory Limitation Percentage	<u>10%</u>
General Obligation Debt Limitation per Section 67.03 of The Wisconsin Statutes	173,241,303
Total Outstanding General Obligation Debt Applicable to Debt Limitation	209,958
Legal Margin for New Debt	<u>\$ 173,241,303</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2021, follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 209,958</u>	<u>\$ 6,299</u>	<u>\$ 216,257</u>

Compensated absences, pension stipends, and post-employment retirement benefits are excluded from the above cash flow requirements because repayment schedules have not been determined or are not required.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 5 - Net Position

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

Net Investment in Capital Assets	
Net Capital Assets	\$ 24,656,998
Less: Related Long-Term Debt Outstanding	209,958
Net Investment in Capital Assets	<u>24,447,040</u>
Restricted	
Donor Intentions	331,110
Food Service	98,961
Capital Expansion	235,123
Pension	2,171,964
Total Restricted	<u>2,837,158</u>
Unrestricted	<u>7,579,494</u>
Total Net Position	<u>\$ 34,863,692</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans

The District reports pension related balances at June 30, 2021, as summarized below:

	Pension Asset	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Wisconsin Retirement System (WRS)	\$ 5,715,402	\$ -	\$ 9,015,726	\$ 12,559,164
Supplemental Stipend Pension Plan	-	1,372,974	273,565	43,356
Totals	<u>\$ 5,715,402</u>	<u>\$ 1,372,974</u>	<u>\$ 9,289,291</u>	<u>\$ 12,602,520</u>

1. Wisconsin Retirement System

General Information About the Pension Plan

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

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

1. Wisconsin Retirement System (Continued)

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%
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$990,017 in contributions from the employer.

Contribution rates as of June 30, 2021 are:

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

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

At June 30, 2021, the District reported an asset of \$5,715,402 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 0.09154694%, which was a decrease of 0.00296248% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of (\$630,274).

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

1. Wisconsin Retirement System (Continued)

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 projected and actual experiences	\$ 8,271,942	\$ 1,781,761
Changes in assumptions	129,636	-
Net differences between projected and actual earnings on pension plan investments	-	10,730,203
Changes in proportion and differences between employer contributions and proportionate share of contributions	337	47,200
Employer contributions subsequent to the measurement date	<u>613,811</u>	<u>-</u>
Total	<u>\$ 9,015,726</u>	<u>\$ 12,559,164</u>

The \$613,811 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability (asset) in the year ending 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 Ending June 30,</u>	<u>Net Deferred Inflows of Resources</u>
2022	\$ (1,072,407)
2023	(300,596)
2024	(1,955,593)
2025	<u>(828,653)</u>
	<u>\$ (4,157,249)</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

1. Wisconsin Retirement System (Continued)

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% 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 asset for December 31, 2020 is based upon a roll-forward of the asset calculated from the December 31, 2019 actuarial valuation.

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

Asset Allocation Targets and Expected Returns as of December 31, 2020

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	(0.4)
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
Total Core Fund	115.0% *	6.6%	4.1%
 <u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0	7.4	4.9
Total Variable Fund	100.0%	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

1. Wisconsin Retirement System (Continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension asset for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (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% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,440,271	\$ (5,715,402)	\$ (13,909,161)

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

Payables to the Pension Plan. The District is required to remit the monthly required contribution for both the employee and District portions by the last day of the following month. The amount due to WRS as of June 30, 2021 is \$389,371 for June payroll.

2. Supplemental Pension Plan

Plan Description. The School District of Waupaca provides a single employer defined benefit plan to eligible teachers and administrators. There are 198 active and 32 retired employees in the plan. Eligibility is established and amended through collective bargaining with the recognized bargaining agent for teachers. Currently, teachers can retire and receive benefits after the attainment of age 55 and the completion of 10 years of service. Administrators can retire and receive benefits after attainment of age 55 and 10 years of service.

Teachers. Eligible retirees will receive monthly cash payments of \$400. These payments will be made for a total of 48 months. Amounts are pro-rated for part-time teachers.

Administrators. The District will make monthly contributions of \$977 into a tax sheltered annuity (TSA) on behalf of the eligible retiree. These contributions will be made for a total of 30 months.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

2. Supplemental Pension Plan (Continued)

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all stipend/retirement benefits. The employer makes all contributions.

Benefit Payments. For the year ended June 30, 2021, the District paid \$128,691 for the supplemental pension as benefits came due.

Total Pension Liability. The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total pension liability.

The District's total pension liability was determined by an actuarial valuation as of June 30, 2020 (the measurement date). Changes in the District's total pension liability were as follows:

	<u>Increase (Decrease)</u>
	<u>Total Pension Liability</u>
	<u>(a)</u>
Balances at July 1, 2019	<u>\$ 1,404,970</u>
Changes for the Year:	
Service Cost	74,372
Interest	47,731
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	(27,283)
Changes of Assumptions or Other Input	29,985
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(156,801)
Administrative Expense	-
Net Changes	<u>(31,996)</u>
Balances at June 30, 2020	<u>\$ 1,372,974</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

2. Supplemental Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2020
Measurement Date of Pension Liability:	June 30, 2020
Reporting Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal (Level % of Salary)
Discount Rate:	2.25%
Salary Increases	2.00%

Factors Affecting Trends for Amounts Related to the Pension Liability. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (2.25%) as of the measurement date of June 30, 2020. All other assumptions and methods remain unchanged from the previous valuation.

Discount Rate. A discount rate of 2.25% was used in calculating the District's pension liabilities (based upon all projected payments discounted at a municipal bond rate of 2.25%). The discount rate is based on a 20-Year AA municipal bond rate.

The following presents the District's proportionate share of the pension liability calculated using the discount rate of 2.25 percent, as well as what the District's proportionate share of the pension 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:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase To Discount Rate (3.25%)
Total Pension Liability	\$ 1,426,758	\$ 1,372,974	\$ 1,319,872

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2021, the District recognized pension expense of \$128,691.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experiences	\$ 50,482	\$ 24,803
Changes in assumptions	50,023	18,553
Employer contributions subsequent to the measurement date	173,060	-
	\$ 273,565	\$ 43,356

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 6 - Defined Benefit Pension Plans (Continued)

2. Supplemental Pension Plan (Continued)

The \$173,060 reported as deferred outflows related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the plan year ending June 30, 2021, to be reported for the fiscal year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows of Resources
2022	\$ 6,588
2023	6,588
2024	6,588
2024	37,385
	<u>\$ 57,149</u>

Note 7 - Post-Employment Benefits Other Than Pension Benefits

The District reports OPEB related balances at June 30, 2021 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 1,343,634	\$ 544,613	\$ 233,450
Single-Employer defined OPEB plan	1,118,744	218,055	286,706
Total	<u>\$ 2,462,378</u>	<u>\$ 762,668</u>	<u>\$ 520,156</u>

1. Single-employer Defined Postemployment Benefit Plan

General Information About the Plan

Plan Description. The School District of Waupaca operates a single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include post-employment health coverage. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

Certified Teaching Staff. The District also provides post-employment health and dental care benefits to teachers who have reached the age of 55 and served at the District for at least 10 years. Teachers are allowed to continue health insurance coverage until Medicare age. Teachers are required to self-pay the full (100%) of the required medical premiums. The District credits \$40 for each day to a maximum of ninety unused sick days, provided the teacher has accumulated over forty-five unused sick days, towards the teacher's health insurance premiums.

Administrative Staff. The District also provides post-employment health and dental care benefits to any degree-holding administrator who has reached the age of 55 and served at the District for at least 10 years. Administrators are allowed to continue health insurance coverage until Medicare age. Administrators are required to self-pay the full (100%) of the required medical premiums. The District credits \$100 for each day to a maximum of hundred fifty unused sick days, provided the retiree has accumulated over sixty unused sick days, towards the retiree's health insurance premiums.

Benefits Provided. The Plan provides post-employment health and dental care benefits to eligible teachers and administrators as described in the *Plan Description* section.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

1. Single-employer Defined Postemployment Benefit Plan (Continued)

Employees Covered by the Benefit Terms. At June 30, 2020, the District's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	44
Active employees	<u>323</u>
	<u>367</u>

OPEB Liability

The District's OPEB liability was measured as of June 30, 2020, and the total 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:

<u>Actuarial Assumptions</u>	
Inflation	2.00%
Discount Rate	2.25%
Healthcare Cost Trend Rates	6.50% decreasing by 0.10% per year down to 5.00% and level thereafter
Mortality	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied by 60%)

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
	<u> </u>
Balances at 7/1/2019	\$ 1,110,848
Changes for the Year:	
Service Cost	71,612
Interest	39,031
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	(102,013)
Changes of Assumptions or Other Input	62,256
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(62,990)
Administrative Expense	-
Net Changes	<u>7,896</u>
Balances at 6/30/2020	<u>\$ 1,118,744</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

1. Single-employer Defined Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the District's total OPEB liability calculated using the discount rate of 2.25 percent, as well as what the total 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 (1.25%)</u>	<u>Current Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total OPEB Liability	\$ 1,187,711	\$ 1,118,744	\$ 1,052,481

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the District's total OPEB liability calculated using the current healthcare cost trend rate of 6.5 percent decreasing to 5.0 percent, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.0 percent) than the current rate:

	<u>1% Decrease (5.5% decreasing to 4.0%)</u>	<u>Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)</u>	<u>1% Increase (7.5% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 1,016,773	\$ 1,118,744	\$ 1,236,551

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$90,589 related to the single-employer plan.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between OPEB plan - projected and actual experiences	\$ 71,197	\$ 91,812
Changes in assumptions	70,608	194,894
Employer contributions subsequent to the measurement date	<u>76,250</u>	<u>-</u>
Total	<u>\$ 218,055</u>	<u>\$ 286,706</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

1. Single-employer Defined Postemployment Benefit Plan (Continued)

The \$76,250 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the plan year ending June 30, 2021, to be reported for the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Net Deferred Inflows of Resources
2022	\$ (19,824)
2023	(19,824)
2024	(19,824)
2025	(19,824)
2026	(19,824)
Thereafter	(45,781)
	<u>\$ (144,901)</u>

2. Local Retiree Life Insurance Fund

General Information About the OPEB Plan

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 members.

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

Benefits Provided. The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired members 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 contributions based on member 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 member premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2021 are:

Coverage Type	Employee
50% Post Retirement Coverage	40% of Member Contribution
25% Post Retirement Coverage	20% of Member Contribution

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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 year ended December 31, 2020 are as listed below:

**Life Insurance Member
Contribution Rates ***

<u>Attained Age</u>	<u>Basic/Supplemental</u>
Under 30	\$ 0.05
30-34	0.06
35-39	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 Plan recognized \$4,735 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 \$1,343,634 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 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 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 0.24426500%, which was a decrease of 0.00404800% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$149,128 related to the cost-sharing plan.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ -	\$ 64,113
Changes in assumptions	522,693	92,191
Net differences between projected and actual earnings on OPEB plan investments	19,561	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	77,146
Employer contributions subsequent to the measurement date	<u>2,359</u>	<u>-</u>
Total	<u>\$ 544,613</u>	<u>\$ 233,450</u>

The \$2,359 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the fiscal year ending June 30, 2022. 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 Ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2022	\$ 56,956
2023	54,841
2024	52,662
2025	46,285
2026	65,244
Thereafter	<u>32,816</u>
	<u>\$ 308,804</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
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

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% 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.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements

June 30, 2021

Note 7 - Post-Employment Benefits Other Than Pension Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Single Discount Rate. A single discount rate of 2.25% was used to measure the total OPEB Liability for the current year, as opposed to a discount rate of 2.87% 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% as of December 31, 2019 to 2.12% 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 members. 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:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
District's Proportionate Share of the Net Pension Liability	\$ 1,827,726	\$ 1,343,634	\$ 977,529

Payables to the OPEB Plan. As of June 30, 2021, the District had no outstanding payables to the OPEB plan.

Note 8 - Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Note 9 - Contingencies and Commitments

The District received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. The District believes such disallowances, if any, would be immaterial.

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2021, are not likely to have a material adverse impact on the District's financial position.

The District has contracted for special education services for the 2021 – 2022 school year. The contract amount is approximately \$206,000.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 10 - 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; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all other risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

Note 11 - Dental Self-Insurance

The District established a self-funded dental plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ended June 30. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in the general fund of the District.

At June 30, 2021, the District has reported a liability of \$215,846 which represents reported and unreported claims which were incurred on or before June 30, 2021, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrator. Changes in the program's claim liability amount for the year ended June 30, 2021 with comparative totals for the prior two years follow:

	<u>Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30</u>
2018	\$ 303,026	\$ 247,591	\$ 256,097	\$ 294,520
2019	294,520	203,896	244,708	253,708
2020	253,708	234,300	272,162	215,846

Note 12 - Upcoming Accounting Pronouncement

GASB Statement No. 87, Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The pronouncement will be effective for the year ending June 30, 2022.

The District is evaluating the impact this standard will have on the financial statements when adopted.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2021

Note 13 - Restatement of Beginning Net Position

As a result of the District implementing GASB Statement No. 84, the Special Revenue Trust Fund fund balance, District-Wide net position, and Private Purpose Trust fund net position have been restated as of June 30, 2020. In addition to the reclassification of \$3,887 from the private purpose trust to the governmental activities within the government-wide financial statements and to the special revenue trust fund balance, the agency fund liabilities of \$78,942 were also reclassified to net position and fund balance, respectively.

	<u>District-Wide</u>	<u>Special Revenue Trust</u>	<u>Private Purpose Trust</u>
Net Position - June 30, 2020	\$ 32,545,726	\$ 259,759	\$ 3,887
Implementation of GASB 84	<u>82,829</u>	<u>82,829</u>	<u>(3,887)</u>
Net Position - As Restated - June 30, 2020	<u>\$ 32,628,555</u>	<u>\$ 342,588</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System (WRS)
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset
12/31/2020	0.09154694%	\$ (5,715,402)	\$ 14,764,997	-38.71%	105.26%
12/31/2019	0.09450942%	(3,047,415)	14,705,586	-20.72%	102.96%
12/31/2018	0.09702175%	3,451,729	14,550,820	23.72%	96.45%
12/31/2017	0.09849614%	(2,924,467)	14,424,259	-20.27%	102.93%
12/31/2016	0.09887827%	814,993	14,379,246	5.67%	99.12%
12/31/2015	0.09986712%	1,622,821	14,059,321	11.54%	98.20%
12/31/2014	0.09981556%	(2,451,743)	13,747,134	-17.83%	102.74%

Schedule of Employer Contributions
Wisconsin Retirement System (WRS)
Last 10 Fiscal Years*

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2021	\$ 990,017	\$ (990,017)	\$ -	\$ 14,666,901	6.75%
6/30/2020	1,001,833	(1,001,833)	-	15,014,458	6.67%
6/30/2019	955,586	(955,586)	-	14,461,325	6.61%
6/30/2018	974,902	(974,902)	-	14,327,873	6.80%
6/30/2017	980,854	(980,854)	-	14,404,697	6.81%
6/30/2016	949,034	(949,034)	-	14,379,986	6.60%
6/30/2015	956,039	(956,039)	-	13,897,304	6.88%

*Ten years of data will be accumulated beginning with the District's fiscal year ended June 30, 2015

SCHOOL DISTRICT OF WAUPACA
Schedule of Changes in Total Pension Liability and Related Ratios
Supplemental Pension
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability					
Service Cost	\$ 74,372	\$ 69,377	\$ 70,922	\$ 76,051	\$ 76,051
Interest	47,731	51,706	46,604	42,291	43,274
Changes in Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(27,283)	-	69,412	-	-
Changes in Assumptions	29,985	14,399	15,102	(29,153)	-
Benefit Payments	(156,801)	(149,325)	(158,627)	(170,942)	(133,245)
Net Change in Total Pension Liability	(31,996)	(13,843)	43,413	(81,753)	(13,920)
Total Pension Liability - Beginning	1,404,970	1,418,813	1,375,400	1,457,153	1,471,073
Total Pension Liability - Ending	<u>\$ 1,372,974</u>	<u>\$ 1,404,970</u>	<u>1,418,813</u>	<u>\$ 1,375,400</u>	<u>\$ 1,457,153</u>
Covered-Employee Payroll	\$ 11,728,576	\$ 10,644,741	10,644,741	\$ 10,379,869	\$ 10,379,869
District's Total Pension Liability as a Percentage of Covered-Employee Payroll	11.71%	13.20%	13.33%	13.25%	14.04%

*Ten years of data will be accumulated beginning with 2016.

SCHOOL DISTRICT OF WAUPACA
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Post-Employment Benefits - Single-Employer Plan
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service Cost	\$ 71,612	\$ 66,435	\$ 74,249	\$ 74,249
Interest	39,031	40,003	42,242	40,493
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(102,013)	-	101,710	-
Changes in Assumptions	62,256	18,222	(278,420)	-
Benefit Payments	(62,990)	(94,686)	(57,376)	(72,209)
Net Change in Total OPEB Liability	<u>7,896</u>	<u>29,974</u>	<u>(117,595)</u>	<u>42,533</u>
Total OPEB Liability - Beginning	<u>1,110,848</u>	<u>1,080,874</u>	<u>1,198,469</u>	<u>1,155,936</u>
Total OPEB Liability - Ending	<u>\$ 1,118,744</u>	<u>\$ 1,110,848</u>	<u>\$ 1,080,874</u>	<u>\$ 1,198,469</u>
Covered-Employee Payroll	\$ 14,530,101	\$ 12,998,164	\$ 12,998,164	\$ 8,222,245
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.70%	8.55%	8.32%	14.58%

*Ten years of data will be accumulated beginning with 2017.

SCHOOL DISTRICT OF WAUPACA

Schedule of Employer's Proportionate Share of the Total OPEB Liability
Other Post-Employment Benefits - Cost-Sharing Plan
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2020	0.24426500%	\$ 1,343,634	\$ 12,292,000	10.93%	31.36%
12/31/2019	0.24831300%	1,057,365	12,349,000	8.56%	37.58%
12/31/2018	0.27124300%	699,898	12,273,000	5.70%	48.69%
12/31/2017	0.28102500%	845,486	11,817,905	7.15%	44.81%

Schedule of Employer Contributions
Other Post-Employment Benefits - Cost-Sharing Plan
Last 10 Fiscal Years*

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2021	\$ 4,735	\$ (4,735)	\$ -	\$ 12,246,000	0.04%
6/30/2020	4,870	(4,870)	-	12,003,000	0.04%
6/30/2019	4,488	(4,488)	-	12,300,000	0.04%
6/30/2018	5,225	(5,225)	-	11,817,905	0.04%

*Ten years of data will be accumulated beginning with 2017.

SCHOOL DISTRICT OF WAUPACA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property Taxes	\$ 11,799,579	\$ 12,169,170	\$ 12,155,843	\$ (13,327)
Other Local Sources	141,000	141,000	44,879	(96,121)
Interdistrict Sources	950,000	950,000	920,030	(29,970)
Intermediate Sources	1,000	1,000	3,500	2,500
State Sources	12,968,320	13,061,375	13,172,129	110,754
Federal Sources	1,003,099	985,699	1,485,462	499,763
Other Sources	26,000	26,000	23,522	(2,478)
Total Revenues	26,888,998	27,334,244	27,805,365	471,121
EXPENDITURES				
Instruction				
Regular Instruction	9,294,458	9,044,045	8,926,639	117,406
Vocational Instruction	1,025,000	975,539	953,656	21,883
Physical Instruction	702,027	685,529	658,169	27,360
Other Instruction	706,559	762,145	631,074	131,071
Total Instruction	11,728,044	11,467,258	11,169,538	297,720
Support Services				
Pupil Services	854,769	875,122	794,621	80,501
Instructional Staff Services	1,916,882	1,993,852	1,623,556	370,296
General Administration Services	627,310	619,493	517,185	102,308
Building Administration Services	1,348,577	1,505,890	1,302,380	203,510
Business Services	5,022,998	913,759	1,152,399	(238,640)
Operations and Maintenance	-	3,205,698	3,213,499	(7,801)
Pupil Transportation	-	1,260,763	1,131,847	128,916
Central Services	949,914	1,012,175	960,757	51,418
Insurance	264,492	235,917	216,517	19,400
Other Support Services	269,093	205,898	236,613	(30,715)
Total Support Services	11,254,035	11,828,567	11,149,374	679,193
Non-Program Transactions				
Open Enrollment	1,100,000	1,100,000	1,096,023	3,977
Non-Open Enrollment	-	131,500	627,797	(496,297)
Total Non-Program Transactions	1,100,000	1,231,500	1,723,820	(492,320)
Total Expenditures	24,082,079	24,527,325	24,042,732	484,593
EXCESS OF REVENUES OVER EXPENDITURES	2,806,919	2,806,919	3,762,633	955,714
OTHER FINANCING SOURCE (USES)				
Transfer to Special Education Fund	(2,806,919)	(2,600,410)	(2,278,946)	321,464
Transfer to Food Service Fund	-	(206,509)	-	206,509
Proceeds from Sale of Capital Assets	-	-	2,600	2,600
Total Other Financing Source (Uses)	(2,806,919)	(2,806,919)	(2,276,346)	530,573
NET CHANGE IN FUND BALANCE	-	-	1,486,287	1,486,287
FUND BALANCE - BEGINNING OF YEAR	9,937,521	9,937,521	9,937,521	2,016,860
FUND BALANCE - END OF YEAR	\$ 9,937,521	\$ 9,937,521	\$ 11,423,808	\$ 3,503,147

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Budgets and Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data:

- a. Based upon requests from district staff, district administration recommends budget proposals to the Board of Education.
- b. The Board of Education reviews the proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c. Pursuant to a public budget hearing, the Board of Education may make alterations to the proposed budget.
- d. Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire Board of Education.
- e. Appropriations lapse at year-end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.

Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund, but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

Excess of Actual Expenditures Over Budget in Individual Funds

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2021:

<u>Individual Function</u>	<u>Excess Expenditures</u>
General Fund	
Business Services	\$ 238,640
Operations and Maintenance	7,801
Other Support Services	30,715
Non-Open Enrollment	496,297

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information - Continued
For the Year Ended June 30, 2021

Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund
Sources/Inflows of Resources	
Actual Amounts (Budgetary Basis) "Total Revenues and Other Financing Source" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 27,807,965
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	1,715,079
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	\$ 29,523,044
Uses/Outflows of Resources	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Use" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 26,321,678
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	3,994,025
The Transfer to the Special Education Fund is Eliminated because it is Considered to be Part of the General Fund	(2,278,946)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 28,036,757

Defined Benefit Pension Plans

Wisconsin Retirement Plan

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 from the prior year were noted.

Single Employer Plan

Changes of benefit terms. There were no changes of benefit terms for any participating employer in the pension stipend plan.

Changes of assumptions. As of the measurement dates of June 30, 2021 the discount rate was changed to 2.25 percent to be reflective of a 20-year AA municipal bond rate since assets are held solely as cash and cash equivalents.

Post-Employment Benefits Other Than Pension Benefits

Local Retiree Life Insurance Fund

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 detail.

Single Employer Plan

Changes of benefit terms. There were no changes of benefit terms for any participating employer in OPEB Plan.

Changes of assumptions. As of the measurement dates of June 30, 2021 the discount rate was changed to 2.25 percent to be reflective of a 20-year AA municipal bond rate since assets are held solely as cash and cash equivalents.

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA

Combining Balance Sheet

Non-Major Governmental Funds

As of June 30, 2021

	Special Revenue Trust	Capital Expansion	Food Service	Total
ASSETS				
Cash and Investments	\$ 331,110	\$ 236,960	\$ 92,476	\$ 660,546
Accounts Receivable	-	-	72	72
Due from Federal Government	-	-	50,900	50,900
Total Assets	<u>\$ 331,110</u>	<u>\$ 236,960</u>	<u>\$ 143,448</u>	<u>\$ 711,518</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 776	\$ 776
Accrued Liabilities	-	-	7,125	7,125
Unearned Revenue	-	-	36,586	36,586
Total Liabilities	<u>-</u>	<u>-</u>	<u>44,487</u>	<u>44,487</u>
Fund Balances				
Restricted	<u>331,110</u>	<u>236,960</u>	<u>98,961</u>	<u>667,031</u>
Total Liabilities and Fund Balances	<u>\$ 331,110</u>	<u>\$ 236,960</u>	<u>\$ 143,448</u>	<u>\$ 711,518</u>

SCHOOL DISTRICT OF WAUPACA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	<u>Special Revenue Trust</u>	<u>Capital Expansion</u>	<u>Food Service</u>	<u>Total</u>
REVENUES				
Local Sources	\$ 143,657	\$ -	\$ 38,618	\$ 182,275
State Sources	-	-	18,999	18,999
Federal Sources	-	-	864,098	864,098
Other Sources	-	8,472	-	8,472
Total Revenues	<u>143,657</u>	<u>8,472</u>	<u>921,715</u>	<u>1,073,844</u>
EXPENDITURES				
Support Services:				
Pupil Services	19,360	-	-	19,360
Building Administration Services	135,775	-	-	135,775
Operations and Maintenance	-	12,000	-	12,000
Food Service	-	-	822,754	822,754
Total Support Services	<u>155,135</u>	<u>12,000</u>	<u>822,754</u>	<u>989,889</u>
NET CHANGE IN FUND BALANCES	(11,478)	(3,528)	98,961	83,955
FUND BALANCES - BEGINNING OF YEAR - AS RESTATED	<u>342,588</u>	<u>240,488</u>	<u>-</u>	<u>583,076</u>
FUND BALANCES - END OF YEAR	<u>\$ 331,110</u>	<u>\$ 236,960</u>	<u>\$ 98,961</u>	<u>\$ 667,031</u>

SCHOOL DISTRICT OF WAUPACA

Combining Schedule of Internal General and Special Education Funds

Balance Sheet

As of June 30, 2021

	<u>General</u>	<u>Special Education</u>	<u>General Fund</u>
ASSETS			
Cash and Investments	\$ 10,040,118	\$ 384,035	\$ 10,424,153
Taxes Receivable	3,499,028	-	3,499,028
Accounts Receivable	5,489	-	5,489
Due from Intermediate Sources	219	13,390	13,609
Due from State Government	206,848	-	206,848
Due from Federal Government	118,483	3,534	122,017
Inventory	2,081	-	2,081
TOTAL ASSETS	<u>\$ 13,872,266</u>	<u>\$ 400,959</u>	<u>\$ 14,273,225</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 187,876	\$ -	\$ 187,876
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	2,260,582	400,959	2,661,541
Total Liabilities	<u>2,448,458</u>	<u>400,959</u>	<u>2,849,417</u>
Fund Balances			
Nonspendable:			
Inventory	2,081	-	2,081
Unassigned	11,421,727	-	11,421,727
Total Fund Balances	<u>11,423,808</u>	<u>-</u>	<u>11,423,808</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,872,266</u>	<u>\$ 400,959</u>	<u>\$ 14,273,225</u>

SCHOOL DISTRICT OF WAUPACA

Combining Schedule of Internal General and Special Education Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Special Education	Total General Fund
REVENUES			
Property Taxes	\$ 12,155,843	\$ -	\$ 12,155,843
Other Local Sources	44,879	-	44,879
Interdistrict Sources	920,030	69,143	989,173
Intermediate Sources	3,500	51,950	55,450
State Sources	13,172,129	913,233	14,085,362
Federal Sources	1,485,462	680,753	2,166,215
Other Sources	23,522	-	23,522
Total Revenues	<u>27,805,365</u>	<u>1,715,079</u>	<u>29,520,444</u>
EXPENDITURES			
Instruction:			
Regular Instruction	8,926,639	-	8,926,639
Vocational Instruction	953,656	-	953,656
Physical Instruction	658,169	-	658,169
Special Instruction	-	2,971,929	2,971,929
Other Instruction	631,074	-	631,074
Total Instruction	<u>11,169,538</u>	<u>2,971,929</u>	<u>14,141,467</u>
Support Services:			
Pupil Services	794,621	546,436	1,341,057
Instructional Staff Services	1,623,556	186,508	1,810,064
General Administration Services	517,185	-	517,185
Building Administration Services	1,302,380	-	1,302,380
Business Services	1,152,399	-	1,152,399
Operations and Maintenance	3,213,499	-	3,213,499
Pupil Transportation Services	1,131,847	67,495	1,199,342
Central Services	960,757	1,639	962,396
Insurance	216,517	-	216,517
Other Support Services	236,613	-	236,613
Total Support Services	<u>11,149,374</u>	<u>802,078</u>	<u>11,951,452</u>
Non-Program Transactions:			
Open Enrollment	1,096,023	-	1,096,023
Non-Open Enrollment	627,797	220,018	847,815
Total Non-Program Transactions	<u>1,723,820</u>	<u>220,018</u>	<u>1,943,838</u>
Total Expenditures	<u>24,042,732</u>	<u>3,994,025</u>	<u>28,036,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,762,633</u>	<u>(2,278,946)</u>	<u>1,483,687</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	2,600	-	2,600
Transfer Between Funds	(2,278,946)	2,278,946	-
Total Other Financing Sources (Uses)	<u>(2,276,346)</u>	<u>2,278,946</u>	<u>2,600</u>
NET CHANGES IN FUND BALANCES	1,486,287	-	1,486,287
FUND BALANCES - BEGINNING OF YEAR	<u>9,937,521</u>	<u>-</u>	<u>9,937,521</u>
FUND BALANCES - END OF YEAR	<u>\$ 11,423,808</u>	<u>\$ -</u>	<u>\$ 11,423,808</u>

SCHOOL DISTRICT OF WAUPACA
Schedule of Charter School Authorizer Operating Costs
For the Year Ended June 30, 2021

<u>Operating Activity</u>	<u>WUFAR Object Code</u>	<u>Cost</u>
Employee Salaries	100	\$ 365
Employee Benefits	200	28
Purchased Services	300	6,300
		<u>\$ 6,693</u>

SCHOOL DISTRICT OF WAUPACA
Schedule of Charter School Authorizer Services and Costs
For the Year Ended June 30, 2021

<u>Operating Activity</u>	<u>WUFAR Function Code</u>	<u>Cost</u>
Regular Curriculum	110000	\$ 622,254
Special Education	150000	33,920
Health Services	214000	30,366
Psychological Services	215000	11,840
Curriculum Development	221200	81,218
Instructional Staff Training	221300	41,317
General Administration	230000	13,845
Building Administration	240000	68,620
Business Services	252000	16,233
General Operations	253000	212,420
Pupil Transportation	256000	79,823
Technology	266000	20,109
Supplies & Services Regular Curriculum	110000	94,701
Aides	229000	62,414
Guidance	213000	10,671
Library Media	222000	23,444
Maintenance	254000	26,880
Food Services	257000	58,047
		\$ 1,508,122

ADDITIONAL REPORTS



**Independent Auditors' Report on Internal Control Over Financing Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education
School District of Waupaca
Waupaca, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of School District of Waupaca (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and responses* as, #2021-001, #2021-002 and #2021-003 that we consider to be material weaknesses.

To the Board of Education
School District of Waupaca

Compliance and Other Matters

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

School District of Waupaca Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying *schedule of findings and responses* and *corrective action plan*. The District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

KerberRose SC

KerberRose SC
Shawano, Wisconsin
Certified Public Accountants
December 14, 2021



Independent Auditors' Report on Compliance with Requirements for Each Major Federal and State Program and on Internal Control over Compliance Required by Uniform Guidance, State Single Audit Guidelines, and the *Wisconsin Department of Public Instruction*

To the Board of Education
School District of Waupaca
Waupaca, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of Waupaca's (District) compliance with the types of compliance requirements described in *Uniform Guidance Compliance Supplement*, *State Single Audit Guidelines* and the *Wisconsin Department of Public Instruction Audit Manual* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2021. The District's federal and state programs are identified in the accompanying summary of auditors' results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the School District of Waupaca 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 state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 testing based on requirements of *Uniform Guidance*, State Single Audit Guidelines, and the *Wisconsin Public School District Manual*. Accordingly, this report is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Shawano, Wisconsin
Certified Public Accountants
December 14, 2021

FEDERAL AND STATE AWARDS SECTION

SCHOOL DISTRICT OF WAUPACA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Grantor Agency/Federal Program Title	ALN	Pass-Through Agency	Pass-Through Number	(Accrued) Deferred Revenue 7/1/20	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2021	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>CHILD NUTRITION CLUSTER</i>								
Donated Commodities 2020-21	10.555	WI DPI	2021-686195-DPI-NSL-547	\$ -	\$ 81,337	\$ -	\$ 81,337	\$ -
Summer Food Service Program - COVID-19	10.559	WI DPI	2020-686195-DPI-SFSP-566	(28,786)	28,786	-	-	-
Summer Food Service Program - COVID-19	10.559	WI DPI	2021-686195-DPI-SFSP-566	-	731,861	50,900	782,761	-
<i>Total Summer Food Service Program</i>				<u>(28,786)</u>	<u>760,647</u>	<u>50,900</u>	<u>782,761</u>	<u>-</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster				<u>(28,786)</u>	<u>841,984</u>	<u>50,900</u>	<u>864,098</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010A	WI DPI	2021-686195-DPI-TIA-141	-	222,409	112,984	335,393	-
Title I Delinquent and Neglected	84.010	WI DPI	2021-686195-DPI-TI-D N&D-144	-	39,798	5,499	45,297	-
<i>Total Title I Grants to Local Educational Agencies</i>				<u>-</u>	<u>262,207</u>	<u>118,483</u>	<u>380,690</u>	<u>-</u>
<i>SPECIAL EDUCATION CLUSTER</i>								
Special Education Grants to States	84.027	WI DPI	2021-686195-DPI-IDEA-FT-341	-	455,274	-	455,274	-
Special Education Preschool Grants	84.173A	WI DPI	2021-686195-DPI-IDEA-P-347	-	26,089	-	26,089	-
<i>Total Special Education Cluster</i>				<u>-</u>	<u>481,363</u>	<u>-</u>	<u>481,363</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	CESA	2021-686195-DPI-CTE-400	-	17,765	-	17,765	-
Wisconsin Charter Schools Program	84.282	WI DPI	2021-686195-DPI-WCSP-360	-	143,764	-	143,764	-
Improving Teacher Quality State Grants	84.367A	WI DPI	2021-686195-DPI-TIIA-365	-	59,841	-	59,841	-
Student Support and Academic Enrichment Program	84.424A	WI DPI	2021-686195-DPI-TIV-A-381	-	24,116	-	24,116	-
Elementary and Secondary School Emergency Relief - COVID-19	84.425D	WI DPI	2021-686195-DPI-ESSERF-160	-	783,351	-	783,351	-
Total U.S. Department of Education				<u>-</u>	<u>1,772,407</u>	<u>118,483</u>	<u>1,890,890</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	Not Available	-	271,791	3,534	275,325	-
TOTAL FEDERAL ASSISTANCE				<u>\$ (28,786)</u>	<u>\$ 2,886,182</u>	<u>\$ 172,917</u>	<u>\$ 3,030,313</u>	<u>\$ -</u>

Reconciliation to the basic financial statements:

Governmental Funds	
Federal Sources	\$ 3,030,313

SCHOOL DISTRICT OF WAUPACA

Schedule of State Financial Assistance

For the Year Ended June 30, 2021

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/2020	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2021	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	686195-100	\$ -	\$ 913,233	\$ -	\$ 913,233	\$ -
Special Education and School Age Parents	255.101	CESA	686195-100	-	25,169	-	25,169	-
State School Lunch Aid	255.102	Direct Program	686195-107	-	9,257	-	9,257	-
Common School Fund Library Aid	255.103	Direct Program	686195-104	-	95,606	-	95,606	-
General Transportation Aid	255.107	Direct Program	686195-102	-	59,042	-	59,042	-
WI School Day Milk Program	255.115	Direct Program	686195-109	(6,002)	12,004	-	6,002	-
Equalization Aids	255.201	Direct Program	686195-116	(156,235)	10,655,522	168,558	10,667,845	-
Aid for Mental Health Programs	255.227	Direct Program	686195-176	-	13,248	-	13,248	-
Supplemental Per Pupil Aid	255.245	Direct Program	686195-181	-	6,275	-	6,275	-
State School Breakfast Aid SSBA	255.344	Direct Program	686195-108	-	3,740	-	3,740	-
Early College Credit Program	255.445	Direct Program	686195-178	-	1,203	-	1,203	-
SAGE (Student Achievement Guarantee Education)	255.504	Direct Program	686195-160	-	647,401	-	647,401	-
Per Pupil Aid	255.945	Direct Program	686195-113	-	1,532,230	-	1,532,230	-
High Cost Transportation Aid	255.947	Direct Program	686195-114	-	12,821	-	12,821	-
Career and Technical Education Incentive Grants	255.950	Direct Program	686195-171	-	24,727	-	24,727	-
Assessments of Reading Readiness	255.956	Direct Program	686195-166	-	3,818	-	3,818	-
Total Wisconsin Department of Public Instruction				(162,237)	14,015,296	168,558	14,021,617	-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Grant	455.206	Direct Program	2021-SSI-01-13431	-	4,959	-	4,959	-
TOTAL STATE PROGRAMS				\$ (162,237)	\$ 14,020,255	\$ 168,558	\$ 14,026,576	\$ -

Reconciliation to the basic financial statements:

Governmental Funds

State sources \$ 14,104,361

Intermediate sources 25,169

Less: State sources not considered state financial assistance

State tax exempt aid (72,962)

Payment in lieu of taxes and other revenues (29,992)

Total expenditures of state awards \$ 14,026,576

SCHOOL DISTRICT OF WAUPACA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Waupaca under programs of the federal and state governments for the year ended June 30, 2021. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin Public School District Audit Manual*. Because the schedules present only a select portion of operations of the District, they are not intended to, and do not, present the financial position and change in net position of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the 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.

School District of Waupaca has not elected to use the 10 percent *de minimis* indirect cost rate as allowable under the Uniform Guidance.

Note 3 - Special Education and School Age Parents Program

2020 – 2021 eligible costs under the State Special Education Program are \$3,172,748.

Note 4 - Oversight Agencies

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

SCHOOL DISTRICT OF WAUPACA

Schedule of Findings and Responses

For the Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of major federal programs:

ALN Number	Name of Federal Program
Child Nutrition Cluster: 10.555 10.559	National School Lunch Program Summer Food Service Program for Children
84.425D	Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
---	-----------

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

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> or the Wisconsin Department of Public Instruction Audit Manual?	No

Identification of major state programs:

State I.D. Number	Name of State Program
255.201	General Equalization
255.101	Special Education and School Age Parents
255.103	Common School Fund

SCHOOL DISTRICT OF WAUPACA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

#2021-001 Financial Reporting

Prior Year Audit Finding	#2020-001
Criteria	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP.
Cause	Management does not have the expertise to prepare the audited financial statements, including the related footnote disclosures. Management requested KerberRose to assist with the preparation of the draft financial statements, including the related footnote disclosures.
Effect	Although the auditors are assisting with the preparation of the financial statements and related footnotes, management of the District thoroughly reviews them and accepts responsibility for their completeness and accuracy.
Recommendation	We recommend that management continues to make this decision on a cost/benefit basis.
Management's Response	Due to limited staffing the District will continue to contract with an outside audit firm to complete the statements and related notes to comply with GAAP. Management does review and approve the financial statements and management accepts responsibility for the financial statements.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2021

Section II - Financial Statement Findings (Continued)

#2021-002 - Preparation of Schedule of Federal Expenditures and State Financial Assistance

Prior Year Audit Finding	#2020-002
Criteria	Uniform Guidance, § ____.300, requires that the District “identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the District is required to “prepare appropriate financial statements, including the schedule of expenditures of federal award in accordance with § ____.310.” A similar requirement exists for state programs under the <i>State Single Audit Guidelines</i> .
Condition	The District was unable to provide us with a schedule of federal and state expenditures with the appropriate allocation of funds by CFDA number, state identification number and funding source.
Cause	The District felt that they did not have the resources to devote to preparation of this schedule.
Effect	Because the auditors do not have the in-depth knowledge of the District’s general ledger detail, it is possible that a federal or state grant award could be missed or reported in error.
Recommendation	We recommend that the District assign an individual internally that is qualified to prepare these schedules.
Management’s Response	The District agrees with this finding but will continue to rely on the audit firm to perform these functions because of limited office personnel and time to perform this function.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2021

Section II - Financial Statement Findings (Continued)

#2021-003 Material Account Adjustments

Prior Year Audit Finding	#2020-003
Criteria	Management is responsible for maintaining internal controls and maintaining its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	Throughout the course of performing the audit, certain adjustments were identified and proposed. Management has approved and posted these material adjustments to present fair and accurate financial statements.
Cause	Internal controls did not detect certain adjustments necessary to properly record year-end balances.
Effect	The initial trial balances were misstated.
Recommendation	We recommend that management take steps to ensure that all year-end adjustments are identified and posted for financial reporting purposes.
Management's Response	The District is aware of the reasons for the material account adjustments and has continued to take action to implement procedures for the preparation of year-end adjustments.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

Section III - Federal Award Findings

There were no findings for federal awards.

Section IV - State Award Findings

There were no findings for state awards.

SCHOOL DISTRICT OF WAUPACA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Financial Statement Findings

#2020-001 - Financial Reporting - See corrective action plan finding #2021-001.

#2020-002 - Preparation of Schedule of Federal Expenditures and State Financial Assistance - See corrective action plan finding #2021-002.

#2020-003 - Material Account Adjustments - See the corrective action plan finding #2021-003 related to material account adjustments.

Corrective Action Plan

Financial Statement Findings

#2021-001 - Financial Reporting - The District is aware that their staff does not have a process to prepare financial statements and related notes in accordance with GAAP. The District will rely on the assistance of the auditors for preparation of the financial statements and related notes.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2021-002 - Preparation of Schedules of Federal Expenditures and State Financial Assistance - The District agrees with this finding and will work to alleviate this issue.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2021-003 - Material Account Adjustments - The District is aware of the reasons for the material account adjustments and has already taken action to implement procedures for the preparation of year-end adjustments.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

THIS PAGE LEFT BLANK INTENTIONALLY