

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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Elkhorn Area School District
Elkhorn, Wisconsin

Audited Financial Statements
Year Ended June 30, 2021

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Independent Auditors' Report

To the School Board
Elkhorn Area School District
Elkhorn, 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 Elkhorn Area School District ("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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 the District as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Wisconsin State Single Audit Guidelines* and is also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



November 8, 2021
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2021

The discussion and analysis of the Elkhorn Area School District's financial performance provides an overall review of financial activities for the 2019-2020 and 2020-2021 fiscal years. It should be read in conjunction with the Independent Auditors' Report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total governmental activities revenues for the 2019-2020 fiscal year were \$48,173,169; including \$20,501,137 of property and other taxes, \$17,415,743 of general state and federal aids, \$10,256,289 of charges for services, local revenues, operating and capital grants. Total governmental activities expenditures were \$47,283,988; including \$27,991,695 for direct instruction, and \$19,292,293 for instructional support and other support services. The District's financial status, as reflected in total net position, increased by \$889,181.

Total governmental activities revenues for the 2020-2021 fiscal year were \$52,313,713; including \$20,725,895 of property and other taxes, \$18,686,162 of general state and federal aids, \$12,901,656 of charges for services, local revenues, operating and capital grants. Total governmental activities expenditures were \$47,800,544; including \$27,570,496 for direct instruction, and \$20,230,048 for instructional support and other support services. The District's financial status, as reflected in total net position, increased by \$4,513,169.

The following events took place during fiscal 2021:

- The District spent approximately \$750,000 in federal ESSER funds to maintain face-to-face instruction for most of the 2020-21 school year.
- The District completed an \$6,900,000 renovation of the St. Pats school as part of the purchase of the school. This project and purchase was approved as part of a public referendum April 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three parts 1) management's discussion and analysis, 2) basic financials statements (District-wide and fund statements) including notes to the financial statements, and 3) other required supplementary information. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

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

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
 June 30, 2021
 (Continued)

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net position. • Statement of Activities. 	<ul style="list-style-type: none"> • Balance Sheet. • Statement of Revenues, Expenditures and Changes in Fund Balance. 	<ul style="list-style-type: none"> • Statement of Fiduciary Net position. • Statement of Changes in Fiduciary Net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement

June 30, 2021
(Continued)

DISTRICT WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the District's assets plus deferred outflow of resources less liabilities and deferred inflows of resources, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here such as regular and special education, transportation, support services, debt services, capital projects, community programs and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for the Employee Benefit Trust Fund. The assets of this fund belong to the Trust and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2021
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2021 compared to 2020. Total net position reflects an increase of \$4,293,446. The calculation of net position uses historical costs for facilities that may not reflect the true value. The District's facilities are in good condition as sufficient funds are appropriated annually for preventative maintenance needs.

Table 1
Condensed Statement of Net Position

	<u>2020</u>	<u>2021</u>	<u>Percentage Change 2020-21</u>
Assets			
Current and other assets	\$ 18,421,183	\$ 25,153,075	36.54%
Capital assets	71,537,640	74,752,839	4.49%
Total assets	89,958,823	99,905,914	11.05%
Deferred Outflow of Resources	9,853,177	13,417,848	36.17%
Liabilities			
Noncurrent liabilities	38,325,670	42,079,866	9.79%
Current liabilities	4,952,527	5,231,814	5.63%
Total liabilities	43,278,197	47,311,680	9.31%
Deferred Inflow of Resources	13,331,380	18,516,213	38.89%
Net Position			
Net Investment in capital assets	31,958,773	31,423,190	-1.67%
Restricted	2,292,340	2,922,012	27.47%
Unrestricted	8,951,310	13,150,667	46.91%
Total net position	\$ <u>43,202,423</u>	\$ <u>47,495,869</u>	9.93%

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2021
(Continued)

Table 2 provides summarized operating results and their impact on net position.

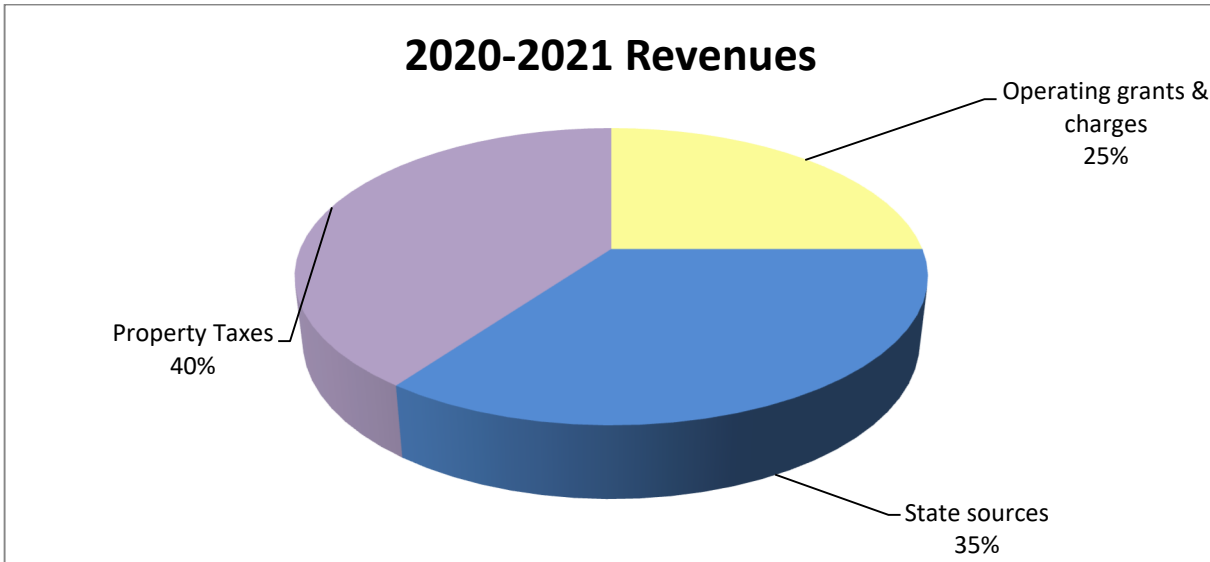
Table 2
Changes in Net Position from Operating Results

	<u>2020</u>	<u>2021</u>	<u>Percentage Change 2020-21</u>
Revenues			
Program revenues			
Charges for services	\$ 5,833,738	\$ 6,393,002	9.58%
Operating grants & contributions	4,524,689	6,260,611	38.36%
Capital grants & contributions	---	18,032	N/A
General revenues			
Property and other taxes	20,501,137	20,725,895	1.09%
State and federal unrestricted aid	17,415,743	18,686,162	7.29%
Other	(102,138)	230,011	N/A
Total Revenues	48,173,169	52,313,713	3.45%
Expenses			
Instruction	27,991,695	27,570,496	1.50%
Pupil & instructional services	4,157,378	4,181,440	.57%
Administration	3,890,994	3,957,952	1.72%
Business services/Community Serv.	6,910,165	7,778,427	12.56%
Interest (long-term debt)	1,211,486	1,468,502	21.21%
Food service	1,455,027	1,371,082	-5.76%
Depreciation - unallocated	1,511,313	1,465,845	-3.00%
Non-program transactions	155,930	6,800	N/A
Total Expenses	47,283,988	47,800,544	1.09%
Change in net position	\$ 889,381	\$ 4,513,169	407.44%

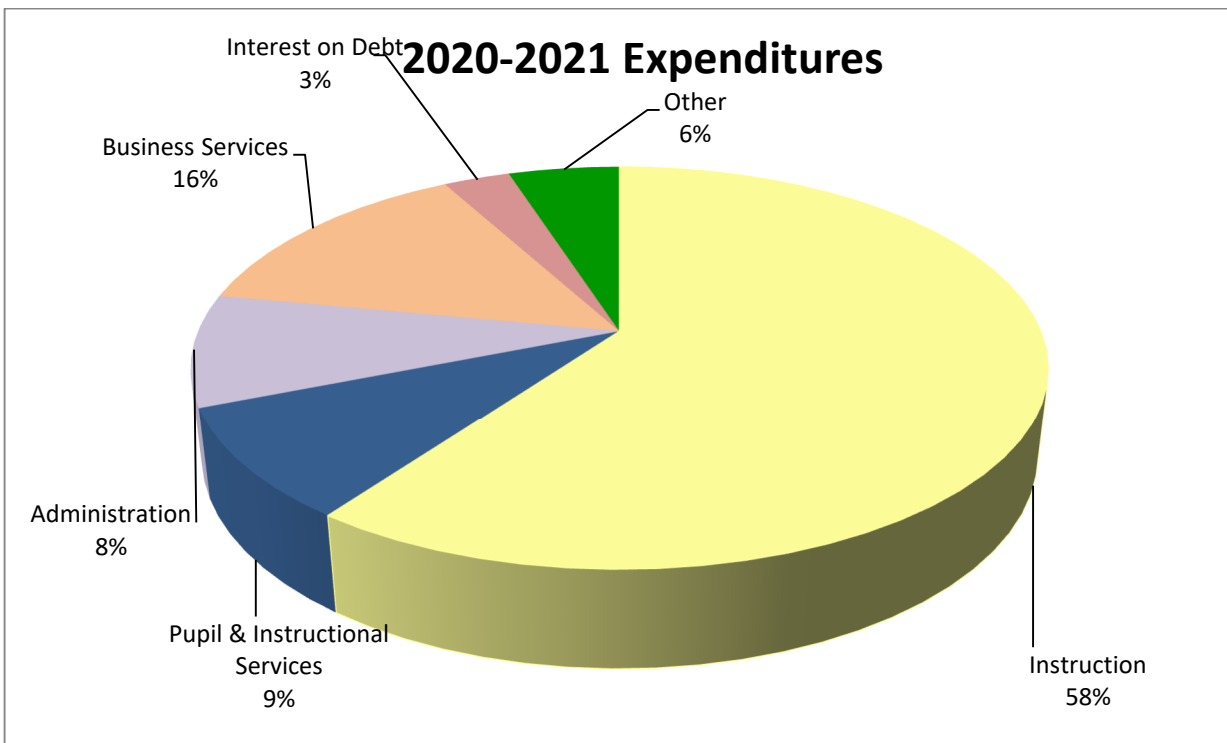
The District relies primarily on property taxes (40% of total governmental revenues), state and federal aid (35%), and operating grants, charges for services, and other sources (25%) to fund governmental activities.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2021
(Continued)

The composition of governmental revenues by source is illustrated below in Chart 1.



The composition of governmental expenditures by type is illustrated below in Chart 2.



ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement

June 30, 2021

(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

2019-2020

The District completed the year with a total governmental fund balance of \$12,352,804 up from last year's ending fund balance of \$11,365,874, Most of the increase was due to the increase in the general fund

- The general fund had an increase in fund balance of \$974,549. This increase was partially due to additional, handicapped aid, Medicaid reimbursement, and savings in expenditures due to COVID.
- The debt service fund had an decrease of \$17,260. The fund balance of the debt services will fluctuate each year. The District makes interest payments in October, and is required to carry a balance at least sufficient to cover the payment until property taxes are collected in the second half of the subsequent year.
- The food service program increased its fund balance by \$25,590 due primarily to additional federal aid for the summer feed program.
- The capital projects fund had a decrease in fund balance of \$136,592 due to the All Sports Booster Club project and loan.

2020-2021

The District completed the year with a total governmental fund balance of \$14,925,431 up from last year's ending fund balance of \$12,352,804, the increase was due to the increase in the general fund, capital project fund, food service fund and debt service fund

- The general fund had an increase in fund balance of \$776,718. This increase was partially due to additional, handicapped aid, Medicaid reimbursement, and savings in expenditures due to COVID.
- The debt service fund had an increase of \$673,149. The fund balance of the debt services will fluctuate each year. The District makes interest payments in October, and is required to carry a balance at least sufficient to cover the payment until property taxes are collected in the second half of the subsequent year.
- The food service program increased its fund balance by \$318,338 due primarily to additional federal aid for the food service program.
- The capital projects fund had a increase in fund balance of \$761,346 due to remaining project balance after completing the Options School renovations

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in June for the subsequent year (beginning July 1st), consistent with current state statutes and regulations, and *original* budget is adopted in October following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
 June 30, 2021
 (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

2019-2020

While the District's final budget for the general fund anticipated a balanced budget, the actual results for the year showed an increase in fund balance of \$974,549. The general fund balance, as a percentage of operating expenses, represented 24.88% for the fiscal year.

Excess of actual expenditures over budget in individual funds

General Fund	
Physical curriculum	\$ 328
Co-Curricular Activities	7,270
Instructional staff services	10,793
School building administration	851
Central Services	39,182
Insurance and judgements	8,524
Other retiree payments	210,591
Purchased instructional services	85,263
Special Education Fund	
Instructional staff services	\$ 4,688
Business administration	27,831
Other retiree payments	29,052
Purchased instructional services	46,727

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

2020-2021

While the District's final budget for the general fund anticipated a balanced budget, the actual results for the year showed an increase in fund balance of \$776,718. The general fund balance, as a percentage of operating expenses, represented 24.92% for the fiscal year.

Excess of actual expenditures over budget in individual funds

General Fund	
Physical curriculum	\$ 66,146
General administration	24,236
Business Administration	430,886
School building administration	62,615
Central Services	33,461
Insurance and judgements	58,764
Debt Services	5,503
Purchased instructional services	75,959
Special Education Fund	
Instructional staff services	\$ 8,250
Pupil Services	12,962
Purchased instructional services	60,924
Other non-program transactions	64,856

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement

June 30, 2021

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the District had invested \$104,563,984 in capital assets, including buildings, sites, library books, and equipment (see Table 4). Total accumulated depreciation on these assets was \$33,026,344. Asset acquisitions for governmental activities totaled \$71,367. The District recognized depreciation expense of \$3,220,250.

At the end of fiscal year 2021, the District had invested \$111,155,679 in capital assets, including buildings, sites, library books, and equipment (see Table 4). Total accumulated depreciation on these assets was \$36,402,840. Asset acquisitions for governmental activities totaled \$6,591,695. The District recognized depreciation expense of \$3,156,773.

Table 4
Capital Assets

	<u>2020</u>	<u>2021</u>	<u>Percentage Change</u>
Land (not depreciated)	\$ 1,711,130	\$ 2,009,480	17.43%
Construction in process	---	---	N/A%
Site improvements	9,993,973	9,993,973	0.00%
Building & building Improvements	83,189,226	89,014,593	7.00%
Furniture & Equipment	9,669,655	10,137,633	4.83%
Accumulated depreciation	<u>(33,026,344)</u>	<u>(36,402,840)</u>	10.22%
Net Capital Assets	\$ <u>71,537,640</u>	\$ <u>74,752,839</u>	4.49%

Long-term Debt

At year-end the District had \$43,023,885 in general obligation bonds and other general obligation debt outstanding. Our current debt limit per Wisconsin statutes is \$230,535,023. The District retired \$2,921,170 of outstanding general obligation debt and capital lease obligations during the fiscal year. The District's current Bond Rating is Aa2, a very good rating for the size of our District. Debt of the District is secured by an irrevocably tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments. (Detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Table 5
Outstanding Long-term Obligations

	<u>2020</u>	<u>2021</u>	<u>Percentage Change 2020-21</u>
General obligation debt	\$ 39,023,140	\$ 43,023,885	10.25%
Capital Leases	1,915	---	N/A
Total long-term obligations	\$ <u>39,025,055</u>	\$ <u>43,023,885</u>	10.24%

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2021
(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the District's financial status in the future include:

- The future state support for education after the use of federal ESSER one-time resources are exhausted.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact William Trewyn, Business Manager, Elkhorn Area School District, 3 N. Jackson Street, Elkhorn, WI 53121; (262) 723-3160.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Current assets	
Cash	\$ 29,809
Investments	10,049,181
Taxes receivable	5,874,309
Accounts receivable	37,049
Due from other governments	821,559
Inventory	44,195
Prepaid expense	2,137
Current portion of pledges receivable	15,004
Total current assets	16,873,243
Noncurrent assets	
Net pension asset - WRS	8,159,802
Pledges receivable	120,030
Capital assets	
Nondepreciable	2,009,480
Depreciable, net of accumulated depreciation	72,743,359
Total capital assets	74,752,839
Total noncurrent assets	83,032,671
Total assets	99,905,914
Deferred outflows of resources	
Deferred outflows related to pensions	12,886,007
Deferred outflows related to OPEB	531,841
Total deferred outflows	13,417,848
Liabilities	
Current liabilities	
Accounts payable	396,378
Withholdings and related fringes payable	1,163,083
Accrued interest	315,438
Accrued payroll	189,790
Due to other governments	158
Deposits payable	110,135
Dental benefit claims payable	19,918
Unearned revenues	52,475
Current portion of long-term liabilities	2,984,439
Total current liabilities	5,231,814
Noncurrent liabilities	
Long-term liabilities	40,039,446
Unamortized premium	873,968
Net post-employment benefits liability	1,166,452
Total noncurrent liabilities	42,079,866
Total liabilities	47,311,680
Deferred inflows of resources	
Deferred inflows related to pensions	17,871,901
Deferred inflows related to OPEB	644,312
Total deferred inflows	18,516,213
Net Position	
Net investment in capital assets	31,423,190
Restricted for:	
Common school library	25,060
Debt service	1,240,376
Food service	913,690
Capital projects	21,940
Community service	221,958
Other	498,988
Unrestricted	13,150,667
Total net position	\$ 47,495,869

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Statement of Activities
Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular instruction	\$ 19,677,228	\$ 6,128,589	\$ 1,367,846	\$ ---	\$ (12,180,793)
Special education instruction	4,555,519	43,180	2,422,222	---	(2,090,117)
Vocational instruction	1,534,529	---	---	---	(1,534,529)
Other instruction	1,803,220	30,761	---	---	(1,772,459)
Total instruction	27,570,496	6,202,530	3,790,068	---	(17,577,898)
Support services:					
Pupil services	2,097,050	---	---	---	(2,097,050)
Instructional staff services	2,084,390	---	127,320	---	(1,957,070)
Administration services	3,957,952	---	---	---	(3,957,952)
Operation and maintenance of plant	4,457,054	25,276	701,873	18,032	(3,711,873)
Pupil transportation	2,155,174	---	62,060	---	(2,093,114)
Central services	154,123	---	---	---	(154,123)
Other support services	642,022	---	---	---	(642,022)
Community services	370,054	43,019	---	---	(327,035)
Food service	1,371,082	122,177	1,579,290	---	330,385
Interest	1,468,502	---	---	---	(1,468,502)
Non-program transactions	6,800	---	---	---	(6,800)
Unallocated depreciation**	1,465,845	---	---	---	(1,465,845)
Total support services	20,230,048	190,472	2,470,543	18,032	(17,551,001)
Total school district	\$ 47,800,544	\$ 6,393,002	\$ 6,260,611	\$ 18,032	(35,128,899)

General revenues:

Taxes:

Property taxes, levied for general purposes	15,715,477
Property taxes, levied for debt service	4,601,299
Property taxes, levied for specific purposes	398,500
Other taxes	10,619

Federal and state aid not restricted to specific purposes:

General	16,261,507
Other	2,424,655
Interest and investment earnings	5,287
Miscellaneous	224,724

Change in net position 4,513,169

Net position - beginning of year	43,202,423
Prior period adjustment - see Footnote 16	(219,723)
Net position - beginning of year as adjusted	42,982,700
Net position - end of year	<u>\$ 47,495,869</u>

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

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Balance Sheet
Governmental Funds
June 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Package- Cooperative</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 29,809	\$ ---	\$ ---	\$ ---	\$ 29,809
Investments	5,951,208	830,288	---	3,267,685	10,049,181
Taxes receivable	5,874,309	---	---	---	5,874,309
Accounts receivable	13,644	---	---	23,405	37,049
Due from other funds	400,906	---	---	---	400,906
Due from other governments	476,484	---	261,470	82,734	820,688
Inventory	19,197	---	---	24,998	44,195
Prepaid expenditures	2,137	---	---	---	2,137
Other assets	---	135,034	---	---	135,034
Total assets	\$ 12,767,694	\$ 965,322	\$ 261,470	\$ 3,398,822	\$ 17,393,308
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 275,445	\$ 10,419	\$ 88,912	\$ 21,602	\$ 396,378
Withholdings and related fringes payables	1,117,775	---	---	45,308	1,163,083
Accrued payroll	180,046	---	192	9,552	189,790
Due to other funds	---	229,725	171,181	---	400,906
Due to other governments	---	---	---	158	158
Deposits payable	108,950	---	1,185	---	110,135
Unearned revenue	---	---	---	52,475	52,475
Dental benefit claims payable	19,918	---	---	---	19,918
Total liabilities	1,702,134	240,144	261,470	129,095	2,332,843
Deferred Inflows					
Pledges	---	135,034	---	---	135,034
Fund Balances					
Nonspendable	21,334	---	---	24,998	46,332
Restricted	25,060	590,144	---	3,244,729	3,859,933
Unassigned	11,019,166	---	---	---	11,019,166
Total fund balances	11,065,560	590,144	---	3,269,727	14,925,431
Total liabilities, deferred inflows and fund balances	\$ 12,767,694	\$ 965,322	\$ 261,470	\$ 3,398,822	\$ 17,393,308

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**

June 30, 2021

Total fund balances - governmental funds		\$ 14,925,431
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of the assets	\$ 111,155,679	
Accumulated depreciation	<u>(36,402,840)</u>	74,752,839
The District's proportionate share of the net pension asset at the WRS is reported on the statement of net position, but is not reported in the governmental funds.		
		8,159,802
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.		
		(4,985,894)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, and therefore, are not reported in the governmental funds.		
		(112,471)
The District's net OPEB liability is not currently payable and thus not reported in the governmental funds.		
		(1,166,452)
Long-term debt and related items are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term debt and related items at year-end consist of:		
Bonds payable	31,170,000	
Promissory notes	11,853,885	
Unamortized premium	<u>873,968</u>	(43,897,853)
Pledges receivable are not available financial resources and therefore, the revenue is not reported in the governmental funds		
		135,034
Accrued interest subsidy is not receivable in the current period, and therefore, is not reported as an asset in the governmental funds.		
		871
Accrued interest payable on long-term obligations is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds.		
		<u>(315,438)</u>
Total net position - governmental activities		<u>\$ 47,495,869</u>

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

	<u>General</u>	<u>Capital Projects</u>	<u>Package- Cooperative</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local	\$ 15,977,855	\$ 21,945	\$ ---	\$ 5,568,924	\$ 21,568,724
Interdistrict payments within Wisconsin	5,816,735	---	213,922	---	6,030,657
Intermediate sources	10,414	---	---	---	10,414
State	20,398,631	---	76,902	22,093	20,497,626
Federal	2,137,645	---	340,461	1,557,197	4,035,303
Other	52,657	---	---	633	53,290
Total revenues	44,393,937	21,945	631,285	7,148,847	52,196,014
Expenditures:					
Instruction:					
Current	25,604,622	---	563,820	372,639	26,541,081
Interdistrict	1,573,427	---	---	---	1,573,427
Capital outlay	176,212	---	---	---	176,212
Support Services:					
Current	15,590,116	8,095	491,810	1,812,862	17,902,883
Capital outlay	242,979	6,172,504	---	---	6,415,483
Debt service	5,503	---	---	4,368,623	4,374,126
Total expenditures	43,192,859	6,180,599	1,055,630	6,554,124	56,983,212
Excess (deficiency) of revenues over (under) expenditures	1,201,078	(6,158,654)	(424,345)	594,723	(4,787,198)
Other Financing Sources (uses):					
Operating transfers in	---	---	424,345	15	424,360
Operating transfers out	(424,360)	---	---	---	(424,360)
Face value of bonds issued	---	6,920,000	---	---	6,920,000
Premium on issuance of bonds	---	---	---	439,825	439,825
Total other financing sources (uses)	(424,360)	6,920,000	424,345	439,840	7,359,825
Net change in fund balances	776,718	761,346	---	1,034,563	2,572,627
Fund Balances - Beginning of year	10,288,842	(171,202)	---	2,235,164	12,352,804
Fund Balances - End of year	\$ 11,065,560	\$ 590,144	\$ ---	\$ 3,269,727	\$ 14,925,431

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**

Year Ended June 30, 2021

Total net change in fund balances - governmental funds \$ 2,572,627

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	\$ (3,156,773)	
Capital outlays	<u>6,591,695</u>	3,434,922

Proceeds received for the issuance of debt is classified as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (6,920,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Promissory Notes	1,239,255	
Bonds payable	1,680,000	
Capital leases	<u>1,915</u>	2,921,170

Amortization of premium from the issuance of debt reduces the balance of the respective item in the statement of net position. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

Current period amortization of premium on issuance		119,669
--	--	---------

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension revenue (expenses). In the governmental funds however, expenditures for these items are measured by the amount of financial resources used.

Pension revenue	939,332	
District pension contributions	<u>1,480,732</u>	2,420,064

In the statement of activities post-employment benefits are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. 422,057

Pledges are recorded as revenue when the pledge commitment is received in the statement of activities, but are deferred until payment is received (funds become available) in the governmental funds,

Pledge additions	18,032	
Pledge payments	<u>(20,000)</u>	(1,968)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as a revenue in the funds when it is receivable, and as an expenditure in the funds when it is due, and thus is a source or use of current financial resources. In the statements of activities, however, interest revenue or expenditure is recognized as the interest accrues, regardless of when it is due.

Accrued interest payable		(15,547)
--------------------------	--	----------

Bond premiums are recorded as an other financing source in the governmental funds, but these are amortized over the life of the bonds in the statement of activities. (439,825)

Change in net position of governmental activities \$ 4,513,169

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Fiduciary Net Position

June 30, 2021

	Employee Benefit Trusts
Assets:	
Investments	\$ 754,633
Net position:	
Restricted	\$ 754,633

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Employee Benefit Trusts
Additions:	
Net investment income	\$ 689
District contributions	441,085
Plan member contributions	2,160
Total additions	443,934
Deductions:	
Trust fund disbursements	443,245
Change in net position	689
Net position - beginning of year	753,944
Net position - end of year	\$ 754,633

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies

A. Introduction

The Elkhorn Area School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general-purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

District-Wide 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, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenses relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor 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. It is also used to account for activities associated with providing educational programs for students with disabilities.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or facility improvements.

Package-Cooperative Fund – This fund is used to account for all other types of cooperative instructional funds.

The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund.

D. Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund 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. Non-exchange 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 when 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.

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 net assets 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Cash

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

F. Receivables

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid, by the collecting municipalities, its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Walworth County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. Pledges receivable represents donor commitments made to the District that have not been received. No allowance for uncollectible accounts has been provided since management has determined that such an allowance would not be material.

G. Interfund Transactions

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District has no advances between funds.

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2021 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Transfers:</u>			
Support Package Coop	Package Coop	General	\$ 424,345
Payment of debt	Debt Service	General	15
<u>Due to/from:</u>			
Project support	General	Capital projects	229,725
Negative cash balance	General	Package Coop	170,726
Support of Package Coop	General	Package Coop	455

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 15,000	Straight-line	50 years
Land improvements	15,000	Straight-line	20 years
Furniture and equipment	1,000	Straight-line	5 - 20 years
Computer and related technology	1,000	Straight-line	5 - 10 years

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

I. Other Assets

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extended beyond June 30th and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

J. Deferred Outflows and Inflows of Resources

The financial statements will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense (revenue), information about the fiduciary net position of the Wisconsin Retirement System (“WRS”) and additions to/deductions from WRS’s fiduciary net position have been determined on the same basis as they are reported to 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.

L. Fund Balance

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent, either because they are not in spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislations or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.
- *Unassigned* - all other spendable amounts

The minimum goal of the Board of Education is to have an end-of-year general fund balance amount sufficient that short-term borrowing for cash flow needs in the ensuing fiscal year could be minimized or avoided. Beyond the short-term cash flow needs, the Board of Education will also utilize the end-of-year fund balance to set aside sufficient assets to realize its longer-range goals and meet its unfunded financial obligations.

Use of the Fund Balance is limited to the following:

- One-time start-up expenses of new academic programs
- The one-time cost of a capital expenditure
- Other one-time expenditures advantageous to the long-range goals of the District
- Previously planned strategic uses

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

1. Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

Except where the Board expressly directs a different order of expenditure of fund balance amounts in connection with approving a specific expense or payment, fund balance resources shall be spent in the following order when various sources are available for a particular purpose: (1) Committed fund balances; (2) Assigned fund balances; (3) Unassigned fund balances; and (4) Restricted fund balances.

M. Net Position

The District classifies net position in the government-wide financial statements as follows:

- *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 borrowings attributable to the acquisition, construction or improvement of those assets.
- *Restricted Net Position* – consists of net position 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.
- *Unrestricted Net Position* – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

N. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Subsequent Events

Management has evaluated all subsequent events for possible inclusion as a disclosure in the financial statements through the date the financial statements were ready to be distributed (November 8, 2021). Subsequent to year-end, the District authorized short-term borrowing. See Footnote 5 for additional information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

2. Cash and Investments

Cash and investments as shown on the District's statement of net position are subject to the following risks:

	Cash	Investments	Total
Custodial Risk:			
Demand deposits	\$ 27,591	\$ ---	\$ 27,591
Petty cash	2,218	---	2,218
LGIP	---	754,530	754,530
Custodial, Interest Rate and Credit Risk			
Wisconsin Investment Series Cooperative (WISC):			
Cash management series	---	3,362,459	3,362,459
Investment series	---	6,686,825	6,686,825
Total	\$ 29,809	\$ 10,803,814	\$ 10,833,623

The District's cash and investments are reported in the financial statements as follows:

Statement of net position:	
Cash	\$ 29,809
Investments	10,049,181
Statement of fiduciary net position:	
Investments	754,633
Total cash and equivalents	\$ 10,833,623

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in local banks and the Wisconsin Local Government Investment Pool (LGIP) are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. 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 districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insured against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP 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 and carries investments at amortized cost for purposes of calculating income to participants. 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.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Notes to Financial Statements

June 30, 2021

(Continued)

2. Cash and Investments (Continued)

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

The District has investments in WISC consisting of Cash Management Series Construction Fund (CMS) and Investment Series (IS). The CMS has no minimum investment period and allows check writing privileges. The WISC weighted average maturity ranges from 0 to 285 days. The IS provides a vehicle that pools funds for investment in U.S. government obligations, agencies, commercial paper and other high-quality short-term instruments, individual fixed rate investments, including statute allowable certificates of deposit, government securities and municipal securities. The Investment Series also requires a 14-day minimum investment period and one business day withdrawal notice.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. WISC investments are valued at amortized cost, which approximates market value. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

In accordance with certain contractual provisions, investment income associated with WISC is assigned to the General Fund, the Debt Service Fund, the Special Revenue Fund and the Building Project Fund. Investment income is distributed to participants based on their relative participation during the period.

A separate financial report for WISC is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies)
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options
- A local government investment pool, subject to certain conditions

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

2. Cash and Investments (Continued)

Custodial Risk: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments was \$10,833,623 at June 30, 2021 and the bank's carrying value was \$11,928,986, of which \$1,078,109 was fully insured and \$10,850,877 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

Interest Rate Risk: Is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as the means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u><1 year</u>	<u>1-5 Years</u>	<u>6-10 years</u>
WISC:				
Cash management series	\$ 3,362,459	\$ 3,362,459	\$ ---	\$ ---
Investment series	6,686,825	6,686,825	---	---
Total	\$ 10,049,284	\$ 10,049,284	\$ ---	\$ ---

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government Securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk. Presented below is the minimum rating required for each type of investment:

<u>Type of Investment</u>	<u>Amount</u>	<u>Rating as of Year End AAA</u>
WISC:		
Cash management series	\$ 3,362,459	\$ 3,362,459
Investment series	6,686,825	6,686,825
Total	\$ 10,049,284	\$ 10,049,284

The District categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1, 2 or 3 inputs.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

3. Pledges Receivable

Pledges receivable represents donor commitments made to the District that have not yet been received. In the governmental funds these are offset by a deferred inflow of resources since the funds are not available. The District has pledges receivable related to the manufacturing equipment grant program. Future payments on these pledges is as follows:

<u>Year ended June 30,</u>		
2022	\$	15,004
2023		15,004
2024		15,004
2025		15,004
2026		15,004
Thereafter		<u>60,014</u>
Total	\$	<u>135,034</u>

4. Capital Assets

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

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets not being depreciated:					
Sites	\$ 1,711,130	\$ 298,350	\$ ---	\$ ---	\$ 2,009,480
Capital assets being depreciated:					
Land improvements	9,993,973	---	---	---	9,993,973
Buildings and improvements	83,189,226	5,825,367	---	---	89,014,593
Equipment	9,669,655	467,978	---	---	10,137,633
Total capital assets being depreciated	102,852,854	6,293,345	---	---	109,146,199
Less accumulated depreciation	33,026,344	3,156,773	---	219,723	36,402,840
Total capital assets being depreciated, net of accumulated depreciation	69,826,510	3,136,572	---	(219,723)	72,743,359
Governmental activities capital assets, net of accumulated depreciation	\$ 71,537,640	\$ 3,434,922	\$ ---	\$ (219,723)	\$ 74,752,839

See Note 16 for additional information on adjustments.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

4. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,465,845
Regular instruction	1,444,087
Food service	32,478
Administration services	141,292
Pupil transportation	9,069
Operation and maintenance	<u>64,002</u>
Total depreciation for governmental activities	<u>\$ 3,156,773</u>

5. Short-Term Notes Payable

Short-term debt payable at June 30, 2021 is as follows:

<u>Balance</u>				<u>Balance</u>
<u>July 01, 2020</u>	<u>Additions</u>	<u>Reductions</u>		<u>June 30, 2021</u>
\$ ---	\$ 1,850,000	\$ (1,850,000)	\$	---

A line of credit in the amount of \$2,000,000 was dated September 20, 2020 and due August 31, 2021, at the prime variable interest rate to be adjusted on the first day of the month (3.25% at the date the line was entered into). Interest for the year ended June 30, 2021 was \$3,588. The line of credit is for general district operations. The District has pledged tax revenue and all other available current fiscal year revenues, including state aids, sufficient to pay the line of credit together with interest.

Subsequent to year end, the District obtained a taxable revolving line of credit not to exceed \$2,000,000. The line of credit is dated September 2, 2021 and is due August 31, 2022. Interest terms are prime variable and not to exceed 18%. The District has pledged tax revenue and all other available current fiscal year revenues, including state aids, sufficient to pay the line of credit together with interest.

6. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	<u>Balance</u>		<u>Balance</u>	<u>Amounts due</u>	
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>within one year</u>
G.O. Bonds	\$ 32,850,000	\$ ---	\$ 1,680,000	\$ 31,170,000	\$ 1,720,000
G.O. Promissory Notes	6,173,140	6,920,000	1,239,255	11,853,885	1,264,439
Direct Borrowings:					
Capital Lease	1,915	---	1,915	---	---
Total	<u>\$ 39,025,055</u>	<u>\$ 6,920,000</u>	<u>\$ 2,921,170</u>	<u>\$ 43,023,885</u>	<u>\$ 2,984,439</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2021 on long-term liabilities was \$1,318,744 and \$1,334,289, respectively.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

6. Long-Term Liabilities (Continued)

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The capital leases are secured by equipment and improvements. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2021 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2021</u>
G.O. Promissory Note	09/01/14	1.99%	04/01/24	\$ 28,885
G.O. Promissory Note	06/05/15	2.00 to 3.00%	04/01/32	4,905,000
G.O. Bond	01/04/16	2.00 to 3.00%	04/01/32	9,940,000
G.O. Refunding Bond	05/14/18	3.00%	04/01/22	1,155,000
G.O. Bond	01/05/17	2.00 to 5.00%	04/01/36	20,075,000
G.O. Promissory Note	07/06/20	2.00%	04/01/30	6,920,000
Total				<u>\$ 43,023,885</u>

The 2020 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,305,350,225. The legal debt limit and margin of indebtedness as of June 30, 2021, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,305,350,225)	\$ 230,535,023
Deduct long-term debt applicable to debt margin	<u>(43,023,885)</u>
Margin of indebtedness	<u>\$ 187,511,137</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt on June 30, 2021 follow:

<u>Year Ended June 30,</u>	<u>G.O. Principal</u>	<u>G.O. Interest</u>	<u>Total</u>
2022	\$ 2,984,439	\$ 1,282,774	\$ 4,267,213
2023	2,964,627	1,210,122	4,174,749
2024	3,129,819	1,147,999	4,277,818
2025	3,295,000	1,080,199	4,375,199
2026	3,165,000	1,008,424	4,173,424
2027-2031	17,405,000	3,399,094	20,804,094
2032-2036	10,080,000	1,032,854	11,112,854
Totals	<u>\$ 43,023,885</u>	<u>\$ 10,161,466</u>	<u>\$ 53,185,351</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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 become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants; if hired on or before 12/31/16) 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 earning 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan (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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2) %	11.0 %
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$1,480,732 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%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan (Continued)

Pension Asset, 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 \$8,159,802 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 0.1307%, which was an increase of 0.0005% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension revenue of \$939,332.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,809,739	\$ 2,543,796
Changes in assumptions	185,080	---
Net difference between projected and actual earnings on pension plan investments	---	15,319,365
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,167	8,740
Employer contributions subsequent to the measurement date	887,021	---
Total	\$ 12,886,007	\$ 17,871,901

The amount of \$887,021 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 7,574,181	\$ (9,089,138)
2023	6,410,934	(6,820,370)
2024	2,818,187	(5,592,188)
2025	1,174,407	(2,348,928)

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan (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	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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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</u> <u>Expected Nominal</u> <u>Rate of Return %</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return %</u>
Global Equities	51	7.2	4.7
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

Single Discount rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate was 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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 asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
District's proportionate share of the net pension (asset) liability	\$7,767,001	\$ (8,159,802)	\$ (19,857,922)

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 at June 30, 2021 were \$288,523. This represents contributions earned as of June 30, 2021, but for which payment was not remitted to the pension plan until subsequent to year-end.

8. Self-Funded Insurance Program

The District has a self-funded dental benefit plan for its employees. The Plan administrators, Delta Dental, Inc. (administrator), are responsible for the approval, processing, and payment of claims, after which it bills the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30, 2021.

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

The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2021, the District has reported a liability of \$128,868, which represents reported and unreported dental claims which were incurred on or before June 30, 2021 but were not paid by the District as of that date. This amount consists of \$19,918 of claims which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were determined by the plan administrator.

Changes in the claims liability for the year ended June 30, 2021 are as follows:

Estimated claims outstanding July 1	\$	79,487
Current year claims and changes in estimates		427,717
Claim payments		(378,336)
Estimated claims outstanding June 30	\$	128,868

The self-funded dental plan is immaterial. Therefore, an actuarial certification does not apply.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

9. Post-Employment Benefits Trust

Description

The District, through its substantive commitment to provide other post-employment benefits (“OPEB”), maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to all former employees who meet retirement eligibility requirements and continue retiree medical coverage. The District is under contractual obligation to provide these post-retirement healthcare benefits. Because the Plan consists solely of the District's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated. All eligible District employees with 15 years of service as of July 1, 2013 receive a health insurance credit based upon their age at retirement. The credit is used to maintain coverage on the District's health insurance plan following retirement.

The OPEB benefit is closed to new entrants.

Covered Employees

Employees eligible to participate in the OPEB benefit consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	<u>District Paid Benefit</u>	<u>COBRA**</u>
Retirees currently receiving benefit payments	47	1
Active employees fully eligible but not yet receiving benefit payments	25	20
Active employees not yet fully eligible	---	244
	<hr/>	<hr/>
Number of participating employees	72	265
	<hr/>	<hr/>

**These individuals represent those that are eligible to pick up COBRA benefits upon leaving the District and therefore included in the actuary's determination of the implicit rate subsidy. These individuals are not eligible for District paid health insurance benefits.

Contributions

The Elkhorn Area School District Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's OPEB liability relating to medical and dental insurance. The trust does not require any employee or employer contributions. For the year ended June 30, 2021, the District recognized OPEB contributions of \$441,085 and plan member contributions of \$2,160.

Net OPEB Liability

At June 30, 2021, the District reported a liability of \$1,166,452 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. No material changes benefit terms occurred between the actuarial valuation date and the measurement date. Changes in assumptions are discussed below.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

9. Post-Employment Benefits Trust (Continued)

Actuarial Assumptions

The major assumptions and methods used in the latest actuarial valuations are as follows:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Reporting date	June 30, 2021
Actuarial cost method	Entry age normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	2.25% (based on all years of projected payments discounted at a 2.25% long-term expected rate of return)
Actuarial assumptions	Based on an experience study conducted in 2018 using Wisconsin Retirement System experience from 2015-2017 Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale
Mortality assumptions	(multiplied by 60%)

* Implicit in this rate is an assumed rate of inflation of 2.00%.

The discount rate decreased from 3.50% at the prior measurement date to 2.25%.

Single Discount rate. A single discount rate of 2.25 percent was used to measure the total OPEB liability. This rate is equivalent to the 20-year AA Municipal Bond Index published by the Federal Reserve as of the week of the measurement date. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Since the District's assets are held solely as cash and cash-equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

Rate of Return

The annual money-weighted rate of return on plan investments, net of plan investment expense was 0.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

9. Post-Employment Benefits Trust (Continued)

Changes in the Net OPEB Liability

The District's OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. The following table shows the components of the District's change in the net OPEB liability:

	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a-b)</u>
Balance 6/30/19 - measurement date 6/30/19	\$ 2,411,144	\$ 743,171	\$ 1,667,973
Benefit payments made in the prior fiscal year	(674,093)	(674,093)	---
Service cost	49,023	---	49,023
Interest	73,451	---	73,451
Differences between expected and actual	---	---	---
Change in assumptions or other input	60,871	---	60,871
Employer contributions	---	674,093	(674,093)
Net investment income	---	10,773	(10,773)
Net changes	<u>(490,748)</u>	<u>10,773</u>	<u>(501,521)</u>
Balance 6/30/21 - measurement date 6/30/20	<u>\$ 1,920,396</u>	<u>\$ 753,944</u>	<u>\$ 1,166,452</u>

Sensitivity of the District's net OPEB liability to changes in the discount rate. The following presents the total OPEB liability calculated using the discount rate of 2.25%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.25%) or 1% higher (3.25%) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB Liability	\$ 1,969,431	\$ 1,920,396	\$ 1,871,645
Fiduciary Net Position	(753,944)	(753,944)	(753,944)
Net OPEB Liability	<u>\$ 1,215,487</u>	<u>\$ 1,166,452</u>	<u>\$ 1,117,701</u>

Sensitivity of the District's net OPEB liability to changes in the healthcare Cost Trend Rates. The following presents the total OPEB liability calculated using the healthcare cost trend rate of 7.5% decreasing to 5.0%, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.5% decreasing to 4.0%) or 1% higher (8.5% decreasing to 6.0%) than the current rate:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 1,901,654	\$ 1,920,396	\$ 1,940,724
Fiduciary Net Position	(753,944)	(753,944)	(753,944)
Net OPEB Liability	<u>\$ 1,147,710</u>	<u>\$ 1,166,452</u>	<u>\$ 1,186,780</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

9. Post-Employment Benefits Trust (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$19,028. At June 30, 2021, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ 450,143
Changes in assumptions	61,959	194,169
Net difference between projected and actual earnings on pension plan investments	28,787	---
Employer contributions subsequent to the measurement date	441,085	---
Total	\$ 531,831	\$ 644,312

The amount of \$441,085 reported as deferred outflows related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	
2022	\$ (77,416)
2023	(81,646)
2024	(84,737)
2025	(86,804)
2026	(89,850)
Thereafter	(133,103)

Payable to the OPEB Plan

At June 30, 2021, there was no payable due to the OPEB Trust.

10. 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 is 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 referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

11. Fund Balances

As of June 30, 2021, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>
General fund:		
Inventory	\$ 19,197	\$ ---
Prepays	2,137	---
Common school library	---	25,060
Total general fund	21,334	25,060
Capital projects	---	590,144
Special revenue	---	498,988
Debt service	---	1,635,091
Food service:		
Inventory	24,998	---
Other food service	---	888,692
Total food service	24,998	888,692
Community service	---	221,958
Total	\$ 46,332	\$ 3,859,933

12. Commitments and Contingencies

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions 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 received federal and state grants for specific purposes. Such funds are subject to review and audit by the grantor agencies. These audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The District has a transportation contract for standard school-year transportation, exceptional education needs transportation, extra-curricular transportation and summer school transportation which runs through the 2021/22 school year. Regular daily service fees range from \$246 to \$289 per run. Summer school transportation ranges from \$241 to \$277 per run. Extra-curricular transportation ranges from \$97 to \$111 per run and exceptional education needs transportation ranges from \$236 to \$294 per run.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2021
(Continued)

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage in the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

14. Effect of New Accounting Standards on Financial Statements

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

- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Accounting for interest cost incurred before the end of a construction period*
- GASB Statement No. 91, *Conduit debt obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*
- GASB Statement No. 96, *Subscription based information technology arrangements*
- GASB Statement No. 97, *Certain component unit criteria and accounting and financial reporting for internal revenue code section 457 deferred compensation plans (an amendment of GASB Statements 14 and 84)*

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

15. Risks and Uncertainties

The District has investments in various investment securities which are exposed to various risks of loss including, but not limited to, interest rates, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position in future periods.

16. Prior Period Adjustment

Certain adjustments to capital assets have been made to the June 30, 2020 government activities to write up the governmental activities accumulated depreciation as of June 30, 2020. As noted in footnote 4, total adjustments to capital assets was \$219,723.

REQUIRED SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2021

	Fund 10 Budget			Variance with
	Original	Final	Actual	Final Budget
				Positive
				(Negative)
Revenues:				
Local	\$ 16,036,877	\$ 16,036,877	\$ 15,977,855	\$ (59,022)
Interdistrict payments	5,704,617	5,704,617	5,780,555	75,938
State	18,942,407	18,942,407	18,961,591	19,184
Federal	811,721	1,254,483	1,258,704	4,221
Other	53,000	53,000	52,657	(343)
Total revenues	41,548,622	41,991,384	42,031,362	39,978
Expenditures:				
Instruction:				
Current	21,704,617	21,704,617	21,205,758	498,859
Interdistrict	1,545,100	1,545,100	1,455,103	89,997
Capital outlay	176,212	176,212	176,212	---
Support Services:				
Current	13,476,506	13,476,506	13,691,784	(215,278)
Capital outlay	242,979	242,979	242,979	---
Debt service	---	---	5,503	(5,503)
Total expenditures	37,145,414	37,145,414	36,777,339	368,075
Excess of revenues over expenditures	4,403,208	4,845,970	5,254,023	408,053
Other Financing Sources (uses):				
Operating transfers	(4,845,970)	(4,845,970)	(4,477,305)	368,665
Net change in fund balances	(442,762)	---	776,718	776,718
Fund Balances - Beginning of year	10,288,842	10,288,842	10,288,842	---
Fund Balances - End of year	\$ 9,846,080	\$ 10,288,842	\$ 11,065,560	\$ 776,718

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2021

	Fund 27 Budget			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interdistrict payments	\$ 54,293	\$ 54,293	\$ 36,180	\$ (18,113)
Intermediate sources	---	---	10,414	10,414
State	1,156,050	1,156,050	1,437,040	280,990
Federal	734,694	734,694	878,941	144,247
Total revenues	<u>1,945,037</u>	<u>1,945,037</u>	<u>2,362,575</u>	<u>417,538</u>
Expenditures:				
Instruction:				
Current	4,416,071	4,416,071	4,398,864	17,207
Interdistrict	---	---	118,324	(118,324)
Support Services:				
Current	1,971,296	1,971,296	1,898,332	72,964
Total expenditures	<u>6,387,367</u>	<u>6,387,367</u>	<u>6,415,520</u>	<u>(28,153)</u>
Deficiency of revenues under expenditures	(4,442,330)	(4,442,330)	(4,052,945)	389,385
Other Financing Sources:				
Operating transfers	4,442,330	4,442,330	4,052,945	(389,385)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

Package-Cooperative Fund

Year Ended June 30, 2021

	Fund 99 Budget			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interdistrict payments	\$ 238,962	\$ 238,962	\$ 213,922	\$ (25,040)
State	76,902	76,902	76,902	---
Federal	454,839	454,839	340,461	(114,378)
Total revenues	770,703	770,703	631,285	(139,418)
Expenditures:				
Instruction:				
Current	705,926	705,926	563,820	142,106
Support Services:				
Current	468,417	468,417	491,810	(23,393)
Total expenditures	1,174,343	1,174,343	1,055,630	118,713
Excess of revenues over expenditures	(403,640)	(403,640)	(424,345)	(20,705)
Other Financing Sources (uses):				
Operating transfers	403,640	403,640	424,345	20,705
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	\$ ---	\$ ---	\$ ---	\$ ---

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset (Liability)

Year Ended June 30, 2021

Wisconsin Retirement System

Last 10 Fiscal Years*

WRS Fiscal Year-End	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered payroll	Net pension asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
12/31/2020	0.1307%	\$ 8,159,802	\$ 21,936,654	37.20%	105.26%
12/31/2019	0.1302%	4,199,040	20,841,823	20.15%	102.96%
12/31/2018	0.1297%	(4,612,647)	20,064,695	22.99%	96.45%
12/31/2017	0.1286%	3,818,286	19,303,148	19.78%	102.93%
12/31/2016	0.1264%	(1,041,558)	18,558,256	5.61%	99.12%
12/31/2015	0.1269%	(2,061,641)	18,092,031	11.40%	98.20%
12/31/2014	0.1262%	3,100,944	17,276,953	17.95%	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Employer Contributions

Year Ended June 30, 2021

Wisconsin Retirement System

Last 10 Fiscal Years*

WRS Fiscal Year-End	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/2020	\$ 1,480,732	\$ 1,480,732	\$ ---	\$ 21,936,654	6.75%
12/31/2019	1,365,156	1,365,156	---	20,841,823	6.55%
12/31/2018	1,344,039	1,344,039	---	20,064,695	6.70%
12/31/2017	1,312,869	1,312,869	---	19,303,148	6.80%
12/31/2016	1,224,847	1,224,847	---	18,558,256	6.60%
12/31/2015	1,230,251	1,230,251	---	18,092,031	6.80%
12/31/2014	1,209,393	1,209,393	---	17,276,953	7.00%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Changes in Net OPEB Liability and Related Ratios
Year Ended June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 49,023	\$ 87,596	\$ 90,987	\$ 150,399	\$ 150,399
Interest	73,451	110,956	123,901	141,669	159,157
Change of benefit terms	---	---	---	---	---
Differences between expected and actual experience	---	(316,555)	---	(328,164)	---
Changes of assumptions or other input	60,871	8,969	(24,562)	(296,326)	---
Benefit payments	(674,093)	(789,686)	(749,977)	(890,348)	(894,600)
Net change in total OPEB liability	(490,748)	(898,720)	(559,651)	(1,222,770)	(585,044)
Total OPEB liability - beginning	2,411,144	3,309,864	3,869,515	5,092,285	5,677,329
Total OPEB liability - ending (a)	<u>\$ 1,920,396</u>	<u>\$ 2,411,144</u>	<u>\$ 3,309,864</u>	<u>\$ 3,869,515</u>	<u>\$ 5,092,285</u>
Fiduciary Net Position					
Contributions - employer	\$ 674,093	\$ 789,685	\$ 749,977	\$ 890,348	\$ 894,600
Net investment income	10,773	16,918	9,621	3,839	1,940
Benefit payments	(674,093)	(789,686)	(749,977)	(890,348)	(894,600)
Administrative expenses	---	---	---	---	---
Net change in fiduciary net position	10,773	16,917	9,621	3,839	1,940
Fiduciary net position - beginning	743,171	726,254	716,633	712,794	710,854
Fiduciary net position - ending (b)	<u>\$ 753,944</u>	<u>\$ 743,171</u>	<u>\$ 726,254</u>	<u>\$ 716,633</u>	<u>\$ 712,794</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 1,166,452</u>	<u>\$ 1,667,973</u>	<u>\$ 2,583,610</u>	<u>\$ 3,152,882</u>	<u>\$ 4,379,491</u>
Fiduciary net position as a percentage of covered-employee payroll	39.26%	30.82%	21.94%	18.52%	14.00%
Covered-employee payroll	16,143,491	16,143,491	15,495,658	15,495,658	14,450,301
Net OPEB liability as a percentage of covered-employee payroll	7.23%	10.33%	16.67%	20.35%	30.31%
Measurement date:	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16

*GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Employer Contributions

Year Ended June 30, 2021

Last 10 Fiscal Years*

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Actuarially determined contributions (ADC)	\$ 646,095	\$	792,476	\$	792,476	\$	559,646	\$	559,646
Contributions in relation to the ADC	674,093		789,685		749,977		890,348		894,600
Contribution deficiency (excess)	<u>\$ (27,998)</u>	<u>\$</u>	<u>2,791</u>	<u>\$</u>	<u>42,499</u>	<u>\$</u>	<u>(330,702)</u>	<u>\$</u>	<u>(334,954)</u>
Covered-employee payroll	16,143,491		16,143,491		15,495,658		15,495,658		14,450,301
Contributions as a percentage of Covered- Employee Payroll	4.18%		4.89%		4.84%		5.75%		6.19%

*GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Investment Returns

Year Ended June 30, 2021

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense:	0.09%	1.44%	2.32%	1.34%	0.54%

*GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Required Supplementary Information
June 30, 2021

Note A - Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below.

	<u>General Fund</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 42,031,362	\$ 2,362,575
Reclassification of special education	2,362,575	(2,362,575)
Total revenues (GAAP)	44,393,937	---
Expenditures		
Actual amounts (budgetary basis)	36,777,339	6,415,520
Reclassification of special education	6,415,520	(6,415,520)
Total Expenditures (GAAP)	43,192,859	---
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	5,254,023	(4,052,945)
Reclassification of special education	(4,052,945)	4,052,945
Excess of Revenues Over (Under) Expenditures (GAAP)	1,201,078	---
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(4,477,305)	4,052,945
Reclassification of special education	4,052,945	(4,052,945)
Total Other Financing Sources (Uses) (GAAP)	(424,360)	---
Net Change in Fund Balance		
Actual amounts (budgetary basis and GAAP)	776,718	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis and GAAP)	10,288,842	---
Fund Balance - End of Year		
Actual amounts (budgetary basis and GAAP)	\$ 11,065,560	\$ ---

Elkhorn Area School District
Elkhorn, Wisconsin

Notes to Required Supplementary Information
June 30, 2021
(Continued)

Note B - Excess of Actual Expenditures Over Budget in Individual Funds

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

General Fund:

Fund 10:

Physical curriculum	\$	66,146
General administration		24,236
School building administration		62,615
Business administration		430,886
Central services		33,461
Insurance and judgements		58,764
Debt services		5,503
Purchased instructional services		75,959

Fund 27:

Pupil services	\$	12,962
Instructional staff services		8,250
Purchased instructional services		60,924
Other non-program transactions		64,856

Package Cooperative Fund:

Pupil services	\$	14,485
Instructional staff services		8,286
General administration		17,070
Central services		40

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

Note C – WRS Information

Changes of benefit terms: There were no changes of benefit terms for any participating employer in the WRS.

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

Elkhorn Area School District
Elkhorn, Wisconsin

Notes to Required Supplementary Information
June 30, 2021
(Continued)

Note D – Other Post-Employment Benefit Plan Information

There were no changes to other post-employment benefit plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating net OPEB liability include:

Actuarial Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Reporting Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.5% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount Rate:*	2.25% (based upon all years of projected payments discounted at a 2.25% long-term expected rate of return)
Actuarial assumptions:	Based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-17.
Mortality assumptions:	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied by 60%)

*Implicit in this rate is an assumed rate of inflation of 2.00%; the discount rate changed from 3.50% at the last measurement date.

Key methods and assumptions used to calculate ADC are as follows:

Reporting date	June 30, 2021	June 30, 2020 and June 30, 2019	June 30, 2018 and June 30, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value
Amortization method	3-year Level \$	5-year Level \$	15-year Level \$
Discount rate	3.50%	3.50%	4.00%
Inflation	2.50%	3.00%	3.00%

OTHER SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	<u>Special Revenue Funds</u>				
	<u>Special Revenue</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total</u>
Assets					
Investments	\$ 502,747	\$ 900,050	\$ 229,797	\$ 1,635,091	\$ 3,267,685
Accounts receivable	1,013	10,645	11,747	---	23,405
Due from other governments	---	82,734	---	---	82,734
Inventory	---	24,998	---	---	24,998
Total assets	\$ 503,760	\$ 1,018,427	\$ 241,544	\$ 1,635,091	\$ 3,398,822
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 4,740	\$ 16,616	\$ 246	\$ ---	\$ 21,602
Withholdings and related fringes payable	5	28,424	16,879	---	45,308
Accrued payroll	27	7,064	2,461	---	9,552
Due to other governments	---	158	---	---	158
Unearned revenue	---	52,475	---	---	52,475
Total liabilities	4,772	104,737	19,586	---	129,095
Fund Balances:					
Nonspendable	---	24,998	---	---	24,998
Restricted	498,988	888,692	221,958	1,635,091	3,244,729
Total fund balances	498,988	913,690	221,958	1,635,091	3,269,727
Total liabilities and fund balances	\$ 503,760	\$ 1,018,427	\$ 241,544	\$ 1,635,091	\$ 3,398,822

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2021

	<u>Special Revenue Funds</u>				
	<u>Special</u>	<u>Food</u>	<u>Community</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Service</u>	<u>Service</u>	<u>Service</u>	<u>Total</u>
Revenues:					
Local	\$ 403,929	\$ 122,177	\$ 441,519	\$ 4,601,299	\$ 5,568,924
State	---	22,093	---	---	22,093
Federal	---	1,557,197	---	---	1,557,197
Other	---	---	---	633	633
Total revenues	<u>403,929</u>	<u>1,701,467</u>	<u>441,519</u>	<u>4,601,932</u>	<u>7,148,847</u>
Expenditures:					
Instruction:					
Current	372,639	---	---	---	372,639
Support Services:					
Current	4,097	1,383,132	425,633	---	1,812,862
Debt service	---	---	---	4,368,623	4,368,623
Total expenditures	<u>376,736</u>	<u>1,383,132</u>	<u>425,633</u>	<u>4,368,623</u>	<u>6,554,124</u>
Excess of revenues over expenditures	27,193	318,335	15,886	233,309	594,723
Other Financing Sources:					
Operating transfers in	---	---	---	15	15
Premium on issuance of bonds	---	---	---	439,825	439,825
Total other financing sources	<u>---</u>	<u>---</u>	<u>---</u>	<u>439,840</u>	<u>439,840</u>
Net change in fund balances	27,193	318,335	15,886	673,149	1,034,563
Fund Balances - Beginning of year	<u>471,795</u>	<u>595,355</u>	<u>206,072</u>	<u>961,942</u>	<u>2,235,164</u>
Fund Balances - End of year	<u>\$ 498,988</u>	<u>\$ 913,690</u>	<u>\$ 221,958</u>	<u>\$ 1,635,091</u>	<u>\$ 3,269,727</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Charter School Authorizer Operating Costs

Year Ended June 30, 2021

WUFAR
Object Code

Operating Activity:

Employee Salaries	100	\$	868
Employee Benefits	200		260
Purchased Services	300		-
Non-Capital Objects	400		-
Capital Objects	500		-
Insurance and Judgements	700		-
Other	900		-
Total		\$	<u>1,128</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2021

Awarding Agency	Identifying	Accrued or			Accrued or		
Pass-Through Agency	Number of	State	(Unearned)		State	(Unearned)	Subrecipient
Award Description	Pass-through	I.D.	Revenue at		Disbursements/	Revenue at	Awards
	Entity	Number	July 1, 2020	Receipts	Expenditures	June 30, 2021	
Wisconsin Department of Public Instruction							
Special education and school-age parents**	641638-100	255.101	\$ ---	\$ 1,365,793	\$ 1,365,793	\$ ---	\$ ---
Passed through CESA 2:							
Special education and school-age parents	749902-100	255.101	---	10,106	10,106	---	---
Subtotal 255.101			---	1,375,899	1,375,899	---	---
State school lunch	641638-107	255.102	---	14,117	14,117	---	---
Common school fund library aid	641638-104	255.103	(57,176)	127,320	159,436	(25,060)	---
Bilingual/bicultural aid	641638-111	255.106	---	34,580	34,580	---	---
Pupil transportation	641638-102	255.107	---	62,060	62,060	---	---
School day milk program	641638-109	255.115	---	1,767	1,767	---	---
Equalization aids	641638-116	255.201	245,044	20,526,619	20,534,979	253,404	---
High cost special education aid	641638-119	255.210	---	41,683	41,683	---	---
Aid for School Mental Health Programs	641638-176	255.227	---	19,239	19,239	---	---
Supplemental per pupil aid	641638-181	255.245	---	9,244	9,244	---	---
Peer to peer suicide prevention	641638-183	255.246	---	---	727	727	---
Special education transition readiness	641638-174	255.257	---	---	22,564	22,564	---
School based mental health services	641638-177	255.297	2,438	2,438	76,902	76,902	---
Peer review mentoring grant	641638-141	255.301	24,355	24,355	6,565	6,565	---
Alcohol and other drug abuse	641638-142	255.321	---	---	919	919	---
State school breakfast program	641638-108	255.344	---	6,208	6,208	---	---
Early college credit	641638-178	255.445	---	1,740	1,740	---	---
Educator Effective Eval Sys Grant Public	641638-154	255.940	16,080	34,880	18,800	---	---
Per pupil adjustment aid	641638-113	255.945	---	2,257,164	2,257,164	---	---
Career and Technical Education Incentive Grants	641638-152	255.950	---	53,442	53,442	---	---
Assessments of reading readiness	641638-166	255.956	---	5,597	5,597	---	---
Aid for Special Education Transition Grant BBL	641638-168	255.960	---	7,000	7,000	---	---
Total Wisconsin Department of Public Instruction			230,741	24,605,352	24,710,632	336,021	---
Wisconsin Department of Workforce Development							
Passed through Gateway Technical College							
Youth apprenticeship grant	Unavailable	455.107	---	9,625	9,625	---	---
Total			\$ 230,741	\$ 24,614,977	\$ 24,720,257	\$ 336,021	\$ ---

** Total DPI aidable expenditures for the year ended June 30, 2021 were \$5,092,046

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Awarding Agency	Identifying Number of	Federal	Accrued or		Federal	Accrued or		
Pass-Through Agency	Pass-through	Assistance	(Unearned)		Disbursements/	(Unearned)		Subrecipient
Award Description	Entity	Listing	Revenue at	Receipts	Expenditures	Revenue at	June 30, 2021	Awards
U.S. Department of Agriculture								
Passed through Wisconsin Department of Public Instruction:								
<i>Child Nutrition Cluster</i>								
<i>National School Lunch Program:</i>								
Donated Commodities - noncash	N/A	10.555	\$ ---	\$ 102,476	\$ 102,476	\$ ---	\$ ---	---
<i>Summer Food Service Program:</i>								
COVID-19 - Summer food service program	2021-641638-DPI-SFSP-566	10.559	78,487	1,450,474	1,454,721	82,734	---	---
Total Child Nutrition Cluster and U.S. Department of Agriculture			78,487	1,552,950	1,557,197	82,734	---	---
U.S. Department of Labor								
YouthBuild	YB-34325-19-60-A-55	17.274	43,721	182,898	254,418	115,241	---	---
U.S. Department of Education								
Passed through Wisconsin Department of Public Instruction:								
ESEA Title I-A Basic	2021-641638-DPI-TIA-141	84.010A	50,775	283,457	275,251	42,569	---	---
ESEA Title V - Charter Schools	2021-641638-DPI-WCSP1-360	84.282A	---	16,716	68,296	51,580	---	---
ESEA Title III-A English Language	2021-641638-DPI-TIIIA-391	84.365A	4,004	19,689	26,642	10,957	---	---
ESEA Title II-A Teacher Principal Training	2021-641638-DPI-TIIA-365	84.367A	7,654	99,907	108,595	16,342	---	---
ESEA Title IV Student Support and Academic Enrichment	2021-641638-DPI-TIV-A-381	84.424A	---	43,515	43,515	---	---	---
<i>Education Stabilization Funds:</i>								
<i>Elementary and Secondary School Emergency Relief:</i>								
COVID 19 - Elementary and Secondary School Emergency Relief Round I	2021-641638-DPI-ESSERF-160	84.425D	---	257,033	257,033	---	---	---
COVID 19 - Elementary and Secondary School Emergency Relief Round II	2022-641638-DPI-ESSERFII-163	84.425D	---	444,840	444,840	---	---	---
<i>Total Elementary and Secondary School Emergency Relief</i>			---	701,873	701,873	---	---	---
<i>Total Education Stabilization Funds</i>			---	701,873	701,873	---	---	---
<i>Special Education Cluster (IDEA)</i>								
<i>Special Education - Grants to States:</i>								
IDEA Flow Through	2021-641638-DPI-IDEA-FT-341	84.027A	77,829	657,608	646,072	66,293	---	---
<i>Special Education - Preschool Grants:</i>								
IDEA Preschool Entitlement	2021-641638-DPI-IDEA-P-347	84.173A	268	4,310	5,082	1,040	---	---
<i>Total Special Education Cluster</i>			78,097	661,918	651,154	67,333	---	---
Total U.S. Department of Education			140,530	1,827,075	1,875,326	188,781	---	---
U.S. Department of Health and Human Services								
Passed through Wisconsin Department of Public Instruction:								
inSPIRE Teen Parents Dropout Prevention	2021-641638-DPI-INSPIRE-591	93.500	26,136	26,136	17,747	17,747	---	---
Passed through Wisconsin Department of Health Services:								
<i>Medicaid Cluster</i>								
Medical Assistance Program	44222200	93.778	---	304,116	330,615	26,499	---	---
Total U.S. Department of Health and Human Services			26,136	330,252	348,362	44,246	---	---
Total			\$ 288,874	\$ 3,893,175	\$ 4,035,303	\$ 431,002	\$ ---	---

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

1. Basis of Presentation

The accompanying schedules of expenditures of state and federal awards (the "Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the net financial position, changes in fund balance or cash flows of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and *Wisconsin State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the subsequent year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures.

3. Indirect Cost Rate

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

4. Noncash awards

The federal donated commodities in the Child Nutrition Cluster are administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Public Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year are included in the expenditures presented in the Schedule. There are no balances outstanding as of June 30, 2021.



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

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elkhorn Area School District (the "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 November 8, 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 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Reilly, Penner & Benton LLP

November 8, 2021
Milwaukee, Wisconsin



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
WISCONSIN STATE SINGLE AUDIT GUIDELINES**

To the Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

Report on Compliance for Each Major Program

We have audited the Elkhorn Area School District's (the "District") compliance with the types of compliance requirements described in *OMB Compliance Supplement* and the *Wisconsin State Single Audit Guidelines* 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 major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform guidance) and the *Wisconsin State Single Audit Guidelines*. Those standards and *Uniform Guidance* 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 Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Wisconsin State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003, that we consider to be significant deficiencies.

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

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

Reilly, Penner & Benton LLP

November 8, 2021
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Prior Audit Findings

Year Ended June 30, 2021

None reported.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

Section 1 - Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |
| 7. Identification of major programs: | |

Federal Assistance
Number(s)

Name of Federal Program or Cluster

84.425D

COVID-19: Elementary and Secondary Emergency Relief

93.778

Medicaid Cluster
Medical Assistance Program

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

A. Summary of Auditors Results (Continued)

State Awards

- | | |
|---|--|
| 10. Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 11. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 12. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? | Yes |
| 13. Dollar threshold used to distinguish Type A and Type B programs | \$250,000 |
| 14. Identification of major state programs: | |
| <u>State ID</u> | <u>Name of State Program or Cluster</u> |
| 255.101 | Special Education and School-Age Parents |
| 255.107 | Pupil Transportation |
| 255.201 | Equalization Aid |
| 255.945 | Per Pupil Adjustment Aid |

Section II - Financial Statement Findings

None reported

Section III - Federal and State Award Findings and Questioned Costs

Reference Number: 2021-001
Program Name: 93.778 - Medicaid Cluster
Description: Unallowable Costs

Condition and Criteria: During our testing, we noted an employee who had a portion of their respective wages and benefits charged to Medicaid as well as another federal grant. The District did not report the dollar amount reimbursed by the other federal grant to Medicaid. The costs claimed on the two federal grants would be considered unallowable for Medicaid.

Cause: Completion of the annual Medicaid Cost Report was not completed properly. Annually the District must file with Wisconsin Medicaid the wages and benefits of direct medical service providers with whom the District requests reimbursement from Wisconsin Medicaid.

Effect: District has questioned costs of \$49,498.

Identification of a Repeat Finding: This is not a repeat finding.

Auditors' Recommendation: We recommend the District review individuals charged to multiple grants to verify that salaries and benefits are properly being reported to Medicaid for those employees charged to multiple grants.

Views of Responsible Officials: See attachment for the District's corrective action plan.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

A. Summary of Auditors Results (Continued)

Reference Number: 2021-002
Program Name: 93.778 - Medicaid Cluster
Description: Parent Approval

Condition and Criteria: During our testing of 25 pupil files charged to Wisconsin Medicaid, we noted that 1 file did not have the parent approval Form M-5 on file.

Cause: The District did not review pupil individual education plan files prior to charging costs to Wisconsin Medicaid.

Effect: The District is not in compliance with Medicaid requirements.

Identification of a Repeat Finding: This is not a repeat finding.

Auditors' Recommendation: We recommend the District review pupil files to determine that each file contains a signed M-5.

Views of Responsible Officials: See attachment for the District's corrective action plan.

Reference Number: 2021-003
Program Name: 255.101 - Special Education and School-Age Parents Aid
Description: Ineligible Staff

Condition and Criteria: Under §118.19(1), Wisconsin Statutes, a District shall ensure all instructional staff hold a valid license or permit to teach issued by the department. The District employed 4 special education individuals whose licenses had expired in 2019 and 2020.

Cause: The District did not follow-up to verify the employee had the proper license.

Effect: The District is not in compliance with Wisconsin state statutes.

Identification of a Repeat Finding: This is not a repeat finding.

Auditors' Recommendation: We recommend the District verify that all staff has an appropriate license within the grade range they are teaching.

Views of Responsible Officials: See attachment for the District's corrective action plan.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

A. Summary of Auditors Results (Continued)

Section IV – Other Issues

1. Does the auditors' report or the notes to the financial statements include disclosures with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

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


Department of Public Instruction

Yes

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

Yes

4. Name and signature of partner


Carrie A. Gindt

5. Date of Report

November 8, 2021



JASON K. TADLOCK

District Administrator

WILLIAM TREWYN

District Business Manager

RITA GEILFUSS

Director of Pupil Services

AMY GEE

K-5 Director of Instruction & Gate

SARAH BOSCH

6-12 Director of Instruction

TRISHA SPENDE

Director of Online & Blended Learning

CHRIS TROTTER

Director of School to Work Opportunities

Corrective Action Plan

Reference Number: 2021-001

Description: Medicaid – Unallowable Costs

Corrective Action Plan: The District will implement a cross check system to help ensure that costs are not claimed in two federal programs.

Anticipated Corrective Action Plan Completion Date: November.

Contact Information: For additional information regarding this finding please contact Bill Trewyn, Business Manager, at 262-741-9143.

Reference Number: 2021-002

Description: Medicaid – Parent Approval

Corrective Action Plan: The District will verify when a student withdraws and then reenrolls in the district that a updated M-5 parent approval form is obtained.

Anticipated Corrective Action Plan Completion Date: November 1, 2021

Contact Information: For additional information regarding this finding please contact Bill Trewyn, Business Manager, at 262-741-9143.

Reference Number: 2021-003

Description: Special Education – Ineligible Staff

Corrective Action Plan: The District will verify through the DPI license portal the current status of staff licenses and will communicated with the individuals on the need to update/renew license as necessary.

Anticipated Corrective Action Plan Completion Date: November 1, 2021

Contact Information: For additional information regarding this finding please contact Bill Trewyn, Business Manager, at 262-741-9143.

Bill Trewyn

Business Manager

trewwi@elkhorn.k12.wi.us

262-741-9143