

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
East Troy, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
East Troy Community School District  
East Troy, Wisconsin

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Troy Community School 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 budgetary comparison information, schedule of proportionate share of net pension liability (asset), schedule of contributions, schedule of proportionate share of net OPEB liability – Local Retiree Life Insurance Fund, schedule of employer OPEB contributions – health insurance, schedule of changes in net OPEB liability and related ratios – health insurance, and notes to required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

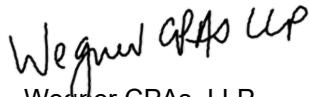
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Troy Community School District's basic financial statements. The combining general fund financial statements and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is 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 *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining general fund financial statements, the combining nonmajor fund financial statements, and the schedule of

expenditures of federal and state awards are 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 2, 2021 on our consideration of the East Troy Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Troy Community School District 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Troy Community School District's internal control over financial reporting and compliance.



Wegner CPAs, LLP  
Madison, Wisconsin  
November 2, 2021

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 8,156,348
Accounts receivable	4,001,045
Due from other governments	307,026
Prepaid expenses	22,337
Restricted cash and investments	2,261,641
Net pension asset	4,151,250
Capital assets not being depreciated	694,708
Capital assets being depreciated, net	31,130,994
<b>Total assets</b>	<b>50,725,349</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension	9,612,054
Related to other postemployment benefits - health insurance	614,693
Related to other postemployment benefits - life insurance	491,635
<b>Total deferred outflows of resources</b>	<b>10,718,382</b>
<b>LIABILITIES</b>	
Short-term notes payable	2,600,000
Accounts payable and other current liabilities	1,252,788
Accrued interest	154,009
HRA deposits payable	2,261,641
Unearned revenue	36,896
Noncurrent liabilities	
Due within one year	935,000
Due in more than one year	23,863,103
<b>Total liabilities</b>	<b>31,103,437</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	12,138,910
Related to other postemployment benefits - health insurance	204,743
Related to other postemployment benefits - life insurance	128,543
<b>Total deferred inflows of resources</b>	<b>12,472,196</b>
<b>NET POSITION</b>	
Net investment in capital assets	11,166,781
Restricted	3,633,104
Unrestricted	3,068,213
<b>Total net position</b>	<b>\$ 17,868,098</b>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2021

	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contributions	(Expenses) Revenues and Changes in Net Position
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular instruction	\$ 7,180,571	\$ 1,552,760	\$ 2,783,620	\$ (2,844,191)
Vocational instruction	702,459	-	-	(702,459)
Physical instruction	515,253	-	-	(515,253)
Special education instruction	1,704,862	54,191	941,215	(709,456)
Other instruction	682,607	-	-	(682,607)
<b>Total instruction</b>	<b>10,785,752</b>	<b>1,606,951</b>	<b>3,724,835</b>	<b>(5,453,966)</b>
Support services				
Pupil services	1,558,803	-	-	(1,558,803)
Instructional staff services	1,093,085	-	-	(1,093,085)
General administrative services	452,614	-	-	(452,614)
Building administrative services	946,163	-	-	(946,163)
Business administrative services	5,861,049	2,339	-	(5,858,710)
Central services	459,843	18,553	551,388	110,098
Insurance and judgments	231,133	-	-	(231,133)
Other support services	2,093,861	6,142	-	(2,087,719)
Other non-program services				
Interest on debt	781,001	-	-	(781,001)
<b>Total support services</b>	<b>13,477,552</b>	<b>27,034</b>	<b>551,388</b>	<b>(12,899,130)</b>
<b>Total school district</b>	<b>\$ 24,263,304</b>	<b>\$ 1,633,985</b>	<b>\$ 4,276,223</b>	<b>(18,353,096)</b>
<b>GENERAL REVENUES</b>				
TAXES				
Property taxes, levied for general purposes				13,043,552
Property taxes, levied for debt service				2,187,734
Property taxes, levied for specific purposes				256,328
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				5,793,909
Interest and investment earnings				20,271
Gain on disposal of assets				6,150
Miscellaneous				144,954
Change in net position				3,099,802
Net Position at beginning of year				14,768,296
<b>Net Position at end of year</b>				<b>\$ 17,868,098</b>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 6,004,592	\$ 1,517,736	\$ 634,020	\$ 8,156,348
Accounts receivable	4,000,694	-	351	4,001,045
Due from other governments	286,931	-	20,095	307,026
Prepaid expenditures	21,718	-	619	22,337
Restricted cash - HRA funds	2,261,641	-	-	2,261,641
<b>Total assets</b>	<u>\$ 12,575,576</u>	<u>\$ 1,517,736</u>	<u>\$ 655,085</u>	<u>\$ 14,748,397</u>
<b>LIABILITIES</b>				
Short-term notes payable	\$ 2,600,000	\$ -	\$ -	\$ 2,600,000
Accounts payable	233,862	-	-	233,862
Accrued salaries and wages	747,630	-	-	747,630
Payroll taxes and withholdings	12,642	-	-	12,642
Medical claims payable	9,481	-	-	9,481
Unearned revenues	7,325	-	29,571	36,896
Accrued interest payable	19,469	-	-	19,469
HRA deposits payable	2,261,641	-	-	2,261,641
Other accrued liabilities	249,173	-	-	249,173
<b>Total liabilities</b>	6,141,223	-	29,571	6,170,794
<b>FUND BALANCES</b>				
Nonspendable	21,718	-	619	22,337
Restricted	202,241	1,517,736	624,895	2,344,872
Unassigned	6,210,394	-	-	6,210,394
<b>Total fund balances</b>	<u>6,434,353</u>	<u>1,517,736</u>	<u>625,514</u>	<u>8,577,603</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,575,576</u>	<u>\$ 1,517,736</u>	<u>\$ 655,085</u>	<u>\$ 14,748,397</u>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2021

Total fund balances—governmental funds		\$ 8,577,603
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 the governmental funds:		
Cost of capital assets	\$ 51,025,526	
Accumulated depreciation	<u>(19,199,824)</u>	
Net capital assets		31,825,702
Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported as assets or liabilities		
Bonds and notes payable	(19,260,000)	
Accrued interest payable	(134,540)	
Unamortized premium on issuance of debt	(1,398,921)	
Net pension liability	4,151,250	
Net other postemployment benefits liability - health insurance	(3,034,197)	
Net other postemployment benefits liability - life insurance	(1,104,985)	
Deferred outflows related to pension	9,612,054	
Deferred inflows related to pension	(12,138,910)	
Deferred outflows related to other postemployment benefits - life insurance	491,635	
Deferred inflows related to other postemployment benefits - life insurance	(128,543)	
Deferred outflows related to other postemployment benefits - health insurance	614,693	
Deferred inflows related to other postemployment benefits - health insurance	<u>(204,743)</u>	
Total long-term obligations		<u>(22,535,207)</u>
Total net position—governmental activities		<u>\$ 17,868,098</u>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2021

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 13,043,552	\$ 2,187,734	\$ 256,328	\$ 15,487,614
Local	239,712	-	302,767	542,479
Interdistrict payments	1,091,635	-	-	1,091,635
Intermediate sources	20,142	-	-	20,142
State	8,140,755	-	10,744	8,151,499
Federal	1,377,988	-	540,645	1,918,633
Other sources	144,954	-	-	144,954
Total revenues	24,058,738	2,187,734	1,110,484	27,356,956
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	7,079,386	-	95,404	7,174,790
Vocational instruction	640,799	-	56,145	696,944
Physical instruction	511,833	-	3,420	515,253
Special education instruction	1,704,862	-	-	1,704,862
Other instruction	609,267	-	65,734	675,001
Total instruction	10,546,147	-	220,703	10,766,850
Support services				
Pupil services	1,547,181	-	10,377	1,557,558
Instructional staff services	1,072,800	-	8,189	1,080,989
General administrative services	452,614	-	-	452,614
Building administrative services	946,163	-	-	946,163
Business administrative services	4,002,926	-	645,922	4,648,848
Central services	427,848	-	-	427,848
Insurance and judgments	231,133	-	-	231,133
Other support services	3,143,287	-	139,595	3,282,882
Total support services	11,823,952	-	804,083	12,628,035
Capital outlay	649,580	-	-	649,580
Debt service				
Principal	-	905,000	-	905,000
Interest and fees	31,612	852,325	-	883,937
Total expenditures	23,051,291	1,757,325	1,024,786	25,833,402
Excess (deficiency) of revenues over (under) expenditures	1,007,447	430,409	85,698	1,523,554
Other financing sources (uses)				
Proceeds from sale of capital assets	6,150	-	-	6,150
<b>Net change in fund balances</b>	1,013,597	430,409	85,698	1,529,704
Fund balances at beginning of year	5,420,756	1,087,327	539,816	7,047,899
<b>Fund balances at end of year</b>	<u>\$ 6,434,353</u>	<u>\$ 1,517,736</u>	<u>\$ 625,514</u>	<u>\$ 8,577,603</u>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2021

Net change in fund balances—total governmental funds		\$ 1,529,704
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 649,580	
Depreciation expense reported in the statement of activities	<u>(1,276,439)</u>	(626,859)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes		905,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	4,426	
Amortization of premium on issuance of debt	98,510	
Net decrease in net other postemployment benefits liability - health insurance	125,153	
Net increase in net other postemployment benefits liability - life insurance	(139,923)	
Net decrease in pension expense	<u>1,203,791</u>	<u>1,291,957</u>
Change in net position of governmental activities		<u>\$ 3,099,802</u>

See accompanying notes.



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2021

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	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Cash and investments	\$ 119,173
<b>LIABILITIES</b>	
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Restricted	<u>\$ 119,173</u>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2021

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Investment earnings	\$       778
<b>DEDUCTIONS</b>	
Scholarships	<u>          2,000</u>
Change in net position	(1,222)
Net Position at beginning of year	<u>         120,395</u>
<b>Net Position at end of year</b>	<u><u>    \$ 119,173</u></u>

See accompanying notes.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the East Troy Community School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

**Reporting Entity**

The District operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a five member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for kindergarten through grade 12.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

**Basis of Presentation**

*District-Wide Financial Statements*

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

Debt service fund is used to account for financial resources to be used for the payment of general long-term debt principal, interest, and related costs.

The District reports the following nonmajor governmental fund:

**Special Revenue Funds**

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund, and the Community Service Fund as special revenue funds.

Additionally, the District reports the following fund type:

**Private-Purpose Trust Fund**

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. 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 funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement resources to such programs, followed by general revenues.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

**Cash and Investments**

The District's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
  - a. Bonds or securities issued under the authority of the municipality;
  - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
  - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
  - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
  - e. Repurchase agreements with public depositories, with certain conditions.

**Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The 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. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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

**Prepaid Items**

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$5,000. Donated assets are recorded at the estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	7 - 45
Equipment	5 - 20

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2021 related to pension and other post employment benefit activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2021 related to pension and other post employment benefit activity.

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. A liability for these amounts is reported in governmental funds only if they have matured.

**Pensions**

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

**Other Postemployment Benefits Other Than Pensions (OPEB)**

*Local Retiree Life Insurance Fund*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This includes for purposes of measuring the Net OPEB Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, OPEB Expense (Revenue), and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Health Insurance*

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

*Dental Insurance*

The District offers a self-funded dental insurance plan. The plan does not have a formal actuarial valuation due to its immateriality to the district-wide financial statements as a whole.

**Long-Term Obligations**

In the district-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refunding, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

**Net Position**

In the district-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

*Restricted Net Position*—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

*Nonspendable*—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

*Restricted*—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed*—Resources that can only be used for specific purposes as the result of a formal action of the District’s highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

*Assigned*—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District’s adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.

*Unassigned*—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

**Use of Restricted Resources**

The District considers restricted amounts to be spent first when both restricted and unrestricted net position are available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

**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.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2021, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Deposits with financial institutions	\$ 9,356,028	\$ 8,121,179	Custodial credit
Wisconsin Local Government Investment Pool	154,342	154,342	Custodial credit
Mutual funds	2,261,641	2,261,641	Credit and interest rate
	\$ 11,772,011	\$ 10,537,162	

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

Statement of net position	
Governmental activities	\$ 10,417,989
Statement of fiduciary net position	
Trust Funds	119,173
	\$ 10,537,162

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2021, \$8,594,501 of the District's deposits with financial institutions were uninsured and uncollateralized. The District does not have a custodial credit risk policy for deposits.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

NOTE 2—CASH AND INVESTMENTS (continued)

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. The District's mutual fund investments are not rated.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. 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 a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2021, mutual fund investments have a maturity of 12 months or less.

The District categorizes its fair values within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are based on quoted prices in active markets for identical assets. The District considers the mutual funds to be a Level 1 recurring fair value measurement. The District has the following recurring fair value measurements as of June 30, 2021:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds	<u>\$ 2,261,641</u>	<u>\$ 2,261,641</u>

NOTE 3—INTERFUND ADVANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts, the general fund, as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated. There are no interfund receivables and payables at June 30, 2021.

The following balances as of June 30, 2021 represent transfers in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Special Education Fund	General Fund	<u>\$ 1,678,606</u>

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 4—CAPITAL ASSETS**

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

	Beginning Balance	Adjustments	Additions	Retirements	Ending Balance
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 694,708	\$ -	\$ -	\$ -	\$ 694,708
Capital assets being depreciated					
Land improvements	1,348,676	-	20,015	-	1,368,691
Building	44,798,144	-	-	-	44,798,144
Furniture and equipment	3,565,418	-	629,565	31,000	4,163,983
Total capital assets being depreciated	49,712,238	-	649,580	31,000	50,330,818
Less accumulated depreciation	17,954,385	-	1,276,439	31,000	19,199,824
Total capital assets being depreciated—net	31,757,853	-	(626,859)	-	31,130,994
Governmental activity capital assets-net	<u>\$ 32,452,561</u>	<u>\$ -</u>	<u>\$ (626,859)</u>	<u>\$ -</u>	<u>\$ 31,825,702</u>

Depreciation expense for governmental activities for the year ended June 30, 2021 was charged to functions as follows:

Instruction	\$ 5,781
Vocational	5,515
Other	7,606
Pupil services	1,245
Instructional support services	12,096
Business administration	1,212,201
Central services	31,995
Total depreciation	<u>\$ 1,276,439</u>

**NOTE 5—SHORT-TERM DEBT ACTIVITY**

The District issued a tax anticipation note in advance of property tax collections. The note matures on September 17, 2021, with an interest rate of 1.00%. Interest paid for the year ended June 30, 2021, was \$58,813. Short-term debt activity for the year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Additions	Payments	Balance 6/30/2021
Tax anticipation note	<u>\$ 2,900,000</u>	<u>\$ 2,600,000</u>	<u>\$ 2,900,000</u>	<u>\$ 2,600,000</u>

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 6—LONG-TERM OBLIGATIONS**

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/21	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 20,165,000	\$ -	\$ 905,000	\$ 19,260,000	\$ 935,000
Unamortized premiums	1,497,431	-	98,510	1,398,921	-
<b>Total bonds and notes payable</b>	<b>21,662,431</b>	<b>-</b>	<b>1,003,510</b>	<b>20,658,921</b>	<b>935,000</b>
Other Liabilities					
Net other postemployment liability benefits - health insurance	3,241,037	-	206,840	3,034,197	-
Net other postemployment liability benefits - life insurance	834,627	270,358	-	1,104,985	-
<b>Total other liabilities</b>	<b>4,075,664</b>	<b>270,358</b>	<b>206,840</b>	<b>4,139,182</b>	<b>-</b>
<b>Total long-term liabilities</b>	<b>\$ 25,738,095</b>	<b>\$ 270,358</b>	<b>\$ 1,210,350</b>	<b>\$ 24,798,103</b>	<b>\$ 935,000</b>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2021 was \$852,325 and \$847,899, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

The 2020 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,774,338,692. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2021 was as follows:

Debt limit (10% of \$1,774,338,692)	\$ 177,433,869
Less: long-term debt applicable to debt margin:	<u>19,260,000</u>
Margin of indebtedness:	<u>\$ 158,173,869</u>

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 6—LONG-TERM OBLIGATIONS (continued)

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

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2021
G.O. refunding bonds	9/2/2015	3.00-5.00%	3/1/2035	18,600,000	\$ 17,695,000
G.O. refunding bonds	3/1/2016	2.00-3.50%	3/1/2036	4,370,000	1,565,000
					<u>\$ 19,260,000</u>

Debt service requirements to maturity on general obligation debt are as follows:

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
2022	\$ 935,000	\$ 825,175	\$ 1,760,175
2023	965,000	811,150	1,776,150
2024	1,000,000	768,175	1,768,175
2025	1,050,000	718,175	1,768,175
2026	1,105,000	665,675	1,770,675
2027-2031	6,410,000	2,441,875	8,851,875
2032-2036	7,795,000	895,450	8,690,450
	<u>\$ 19,260,000</u>	<u>\$ 7,125,675</u>	<u>\$ 26,385,675</u>

NOTE 7—EMPLOYEE'S RETIREMENT SYSTEM

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

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

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

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

The WRS also provides death and disability benefits for employees.

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

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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 \$746,451 contributions from the employer which equaled required contributions.

Contribution rates as of December 31, 2020, the measurement date, are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

**Pension Liabilities, 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 \$4,151,250 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset 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 0.06649300% which was a decrease of 0.00015642% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$451,240.

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 projected and actual experience	\$ 6,008,132	\$ (1,294,141)
Net differences between projected and actual earnings on pension plan investments	-	(7,793,633)
Changes in assumptions	94,158	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,850	(9,497)
Employer contributions subsequent to the measurement date	463,275	-
<b>Total</b>	<b>\$ 6,570,415</b>	<b>\$ (9,097,271)</b>



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

\$463,275 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (770,433)
2023	(209,306)
2024	(1,411,863)
2025	<u>(598,529)</u>
	<u>\$ (2,990,131)</u>

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

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset)	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	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	7.5	4.1
International Equities	30	8.2	4.9
Total Variable Fund	100	7.8	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 is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The District’s proportionate share of net pension liability	\$ 3,951,414	\$ (4,151,250)	\$ (10,102,597)

**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>.

NOTE 8—OTHER POST EMPLOYMENT BENEFITS

*Local Retiree Life Insurance Fund*

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

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

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

**Contributions**

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

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

Contribution rates as of June 30, 2021 are:

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

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2020 are as listed below:

**Life Insurance**  
**Member Contribution Rates\***  
**For the year ended December 31, 2020**

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

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

During the reporting period, the LRLIF recognized \$4,005 in contributions from the District.

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

At June 30, 2021, the District reported a liability of \$1,104,985 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the District's proportion was 0.20088000%, which was an increase of 0.004875% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$144,160.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ (52,726)
Net differences between projected and investment earnings on plan investments	16,088	-
Changes in actuarial assumptions	429,855	(75,817)
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,689	-
Employer contributions subsequent to the measurement date	2,003	-
Total	\$ 491,635	\$ (128,543)

\$2,003 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 68,360
2023	66,620
2024	64,828
2025	58,638
2026	70,525
2027	30,788
2028	1,330
	\$ 361,089

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

**Actuarial assumptions.** The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

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

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

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

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

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
The District's proportionate share of net OPEB liability	\$ 1,503,096	\$ 1,104,985	\$ 803,905

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

*Health Insurance*

**Plan Description**

*Plan administration.* The District operates a single-employer retiree benefit plan that provides postemployment medical benefits to eligible employees and their spouses. There are approximately 130 active and 43 retired members in the plan. Benefits and eligibility for teachers and administrators are established and amended by the school board.

Teachers at least age 55 with a minimum of 15 years of service with the District as of June 30, 2013 are eligible. The District will pay the same percentage of the retiree's medical premiums as active employees. The maximum that will be paid by the District will be \$100,000. Payments will continue until the retired employee uses the entire \$100,000 or becomes Medicare eligible.

Administrators hired prior to 2005 and at least age 55 with a minimum of 10 years of service with the District are eligible. The District will pay 100% of the monthly premium for the single or family medical insurance plan for a period of 10 years, or when the retiree reaches age 65, whichever should occur first. The District will also pay 100% of the retiree's life insurance premiums. This benefit will expire when the retiree reaches the age of 65.

*Funding Policy:* Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payments of future benefits as of June 30, 2021. The general fund is used for funding all postretirement healthcare benefits.

**Net OPEB Liability**

The District's 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, 2020.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare cost trend rates	6.50% decreasing by 0.10% per year down to 5.0%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2018 using Wisconsin Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale. The projection of cash flows used to determine the 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 was projected to be available to make all projected future benefit payments of current plan members.

*The long-term expected rate of return on OPEB plan investments.* Since the District currently holds assets in fixed income funds or as 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.



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)**

*Discount rate.* The discount rate of 2.25% was used in calculating the District's OPEB liabilities (based upon all years of projected payments discounted at a municipal bond rate of 2.25%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

	Increases (Decreases) in Net OPEB Liability
Balances at 6/30/2020	\$ 3,241,037
Changes for the year:	
Service Cost	99,271
Interest	107,105
Differences between expected and actual experience	(62,778)
Changes of assumptions or other input	110,632
Benefit payments	(461,070)
Net changes	(206,840)
Balances at 6/30/2021	\$ 3,034,197

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

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Net OPEB liability	\$ 3,303,263	\$ 3,034,197	\$ 2,806,165

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

	1% Decrease (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB liability	\$ 2,946,610	\$ 3,034,197	\$ 3,133,250

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

NOTE 8—OTHER POST EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$229,983. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,593	\$ 55,803
Changes in assumptions	142,777	148,940
Employer contributions subsequent to the measurement date	251,323	-
Total	\$ 614,693	\$ 204,743

\$251,323 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 23,607
2023	23,607
2024	23,607
2025	23,607
2026	23,607
Thereafter	40,592
	\$ 158,627

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 9—GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide statement of net position at June 30, 2021 consist of the following:

Net investment in capital assets	\$ 11,166,781
Restricted	
WRS Pension	1,624,394
Donor restrictions	352,205
Nutrition services	62,290
Community services	211,019
Debt service	1,383,196
Total restricted	3,633,104
Unrestricted	3,068,213
Total governmental activities net position	\$ 17,868,098

**NOTE 10—GOVERNMENTAL FUND BALANCES**

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

Nonspendable	
General fund	
Prepaid expenditures	\$ 22,337
Restricted	
General fund	202,241
Special purpose	352,205
Nutrition services	61,671
Community services	211,019
Debt service	1,517,736
Total restricted	2,344,872
Unassigned	6,210,394
Total governmental fund balance	\$ 8,577,603

**NOTE 11—RISK MANAGEMENT**

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

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 12—LIMITATION OF SCHOOL DISTRICT REVENUES**

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

**NOTE 13—COMMITMENTS AND CONTINGENCIES**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,050,288	\$ 13,050,288	\$ 13,043,552	\$ (6,736)
Local	287,741	287,741	239,712	(48,029)
Interdistrict payments	1,004,535	1,004,535	1,037,444	32,909
Intermediate sources	25,600	25,600	20,142	(5,458)
State	7,455,308	7,455,308	7,462,777	7,469
Federal	581,904	581,904	994,846	412,942
Other sources	74,639	74,639	144,954	70,315
Total revenues	22,480,015	22,480,015	22,943,427	463,412
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	7,233,432	7,233,432	7,045,271	188,161
Vocational instruction	683,274	683,274	640,799	42,475
Physical instruction	505,205	505,205	511,833	(6,628)
Other instruction	669,454	669,454	609,267	60,187
Total instruction	9,091,365	9,091,365	8,807,170	284,195
Support services				
Pupil services	1,125,929	1,125,929	814,107	311,822
Instructional staff services	1,088,149	1,088,149	919,048	169,101
General administrative services	488,511	488,511	452,614	35,897
Building administrative services	1,042,166	1,042,166	1,022,513	19,653
Business administrative services	4,082,587	4,082,587	4,472,949	(390,362)
Central services	443,278	443,278	427,848	15,430
Insurance and judgments	209,500	209,500	231,133	(21,633)
Other support services	3,322,778	3,322,778	3,078,380	244,398
Total support services	11,802,898	11,802,898	11,418,592	384,306
Debt service				
Interest and fees	75,000	75,000	31,612	43,388
Total expenditures	20,969,263	20,969,263	20,257,374	711,889
Excess (deficiency) of revenues over (under) expenditures	1,510,752	1,510,752	2,686,053	1,175,301
Other financing sources (uses)				
Proceeds from sale of assets	3,000	3,000	6,150	3,150
Transfers in (out)	(1,913,752)	(1,913,752)	(1,678,606)	235,146
Total other financing sources (uses)	(1,910,752)	(1,910,752)	(1,672,456)	238,296
<b>Net change in fund balances</b>	(400,000)	(400,000)	1,013,597	1,413,597
Fund balances at beginning of year	5,420,756	5,420,756	5,420,756	-
<b>Fund balances at end of year</b>	<u>\$ 5,020,756</u>	<u>\$ 5,020,756</u>	<u>\$ 6,434,353</u>	<u>\$ 1,413,597</u>

See accompanying notes to required supplementary information.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
EXPLANATION OF DIFFERENCES BETWEEN BUDGETERY INFLOWS AND OUTFLOWS  
AND GAAP REVENUES AND EXPENDITURES  
Year Ended June 30, 2021

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**SOURCES/INFLOWS OF RESOURCES:**

Actual General Fund operating revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 22,943,427
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>1,115,311</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 24,058,738</u>

**USES/OUTFLOWS OF RESOURCES:**

Actual General Fund expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 20,257,374
Reclassification: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>2,793,917</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 23,051,291</u>

See accompanying notes to required supplementary information.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

Plan Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2014	0.065741%	\$ (1,614,781)	\$ 8,998,269	-17.95%	102.74%
12/31/2015	0.065081%	1,057,551	9,205,638	11.49%	98.20%
12/31/2016	0.065021%	535,924	9,541,074	5.62%	99.12%
12/31/2017	0.065838%	(1,954,810)	9,900,353	-19.74%	102.93%
12/31/2018	0.066234%	2,356,392	10,149,857	23.22%	96.45%
12/31/2019	0.066649%	(2,149,081)	10,766,451	-19.96%	102.96%
12/31/2020	0.066493%	(4,151,250)	11,056,999	-37.54%	105.26%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 629,838	\$ 629,838	\$ -	\$ 9,123,153	6.90%
6/30/2016	625,983	625,983	-	9,344,866	6.70%
6/30/2017	629,710	629,710	-	9,831,215	6.41%
6/30/2018	673,355	673,355	-	9,925,435	6.78%
6/30/2019	679,947	679,947	-	10,498,888	6.48%
6/30/2020	705,201	705,201	-	11,103,934	6.35%
6/30/2021	746,451	746,451	-	11,129,313	6.71%

See accompanying notes to required supplementary information.



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**LOCAL RETIREE LIFE INSURANCE FUND**  
**LAST 10 FISCAL YEARS\***

Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/2017	0.184597%	\$ 555,375	\$ 7,762,832	7.15%	44.81%
12/31/2018	0.184711%	476,617	9,904,000	4.81%	48.69%
12/31/2019	0.196005%	834,627	10,358,000	8.06%	37.58%
12/31/2020	0.200880%	1,104,985	10,507,000	10.52%	31.36%

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

See accompanying notes to required supplementary information.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
**HEALTH INSURANCE**  
**Last 10 Fiscal Years\***

	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 461,070	\$ 445,908	\$ 484,101	\$ 432,673
Contributions in relation to ADC	\$ 461,070	\$ 445,908	\$ 484,101	\$ 516,816
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (84,143)
The District's covered-employee payroll	\$ 9,745,817	\$ 9,064,383	\$ 9,064,383	\$ 8,344,787
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

See accompanying notes to required supplementary information.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**HEALTH INSURANCE**  
**Last 10 Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability:</b>				
Service cost	\$ 99,271	\$ 92,214	\$ 88,579	\$ 88,579
Interest	107,105	121,473	118,574	128,493
Differences between expected and actual experience	(62,778)	-	330,891	-
Changes in assumptions or other input	110,632	57,133	(223,412)	-
Benefit payments	<u>(461,070)</u>	<u>(445,908)</u>	<u>(484,101)</u>	<u>(516,816)</u>
Net Change in OPEB Liability	(206,840)	(175,088)	(169,469)	(299,744)
Total OPEB liability - beginning	<u>3,241,037</u>	<u>3,416,125</u>	<u>3,585,594</u>	<u>3,885,338</u>
Total OPEB liability - ending	<u>\$ 3,034,197</u>	<u>\$ 3,241,037</u>	<u>\$ 3,416,125</u>	<u>\$ 3,585,594</u>

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

See accompanying notes to required supplementary information.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
 June 30, 2021

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**NOTE 1—BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

The following general fund function had excess of actual expenditures over appropriations for the year ended June 30, 2021.

Function	Excess Expenditures
Physical instruction	\$ 6,628
Business administrative services*	390,362
Insurance and judgments	21,633

\*Includes building and grounds projects

**NOTE 2—EMPLOYEE'S RETIREMENT CONTRIBUTIONS**

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

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

**NOTE 3—OPEB SCHEDULE OF CONTRIBUTIONS – LIFE INSURANCE**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in LRLIF.

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

**NOTE 4—NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS – HEALTH INSURANCE**

Methods and assumptions used to determine OPEB contribution rates are as follows:

Actuarial Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Fair Market Value
Discount Rate:	2.25%
Inflation:	2.0%
Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied by 60%).	

**OTHER SUPPLEMENTARY INFORMATION**

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—GENERAL FUND**  
June 30, 2021

	General Operating Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$ 5,850,250	\$ 154,342	\$ 6,004,592
Accounts receivable	4,000,694	-	4,000,694
Due from other governments	233,232	53,699	286,931
Prepaid expenditures	19,427	2,291	21,718
Restricted cash - HRA funds	2,261,641	-	2,261,641
<b>Total assets</b>	<b>\$ 12,365,244</b>	<b>\$ 210,332</b>	<b>\$ 12,575,576</b>
<b>LIABILITIES</b>			
Short-term notes payable	\$ 2,600,000	\$ -	\$ 2,600,000
Accounts payable	23,530	210,332	233,862
Accrued salaries and wages	747,630	-	747,630
Payroll taxes and withholdings	12,642	-	12,642
Medical claims payable	9,481	-	9,481
Unearned revenues	7,325	-	7,325
Accrued interest payable	19,469	-	19,469
HRA deposits payable	2,261,641	-	2,261,641
Other accrued liabilities	249,173	-	249,173
<b>Total liabilities</b>	<b>5,930,891</b>	<b>210,332</b>	<b>6,141,223</b>
<b>FUND BALANCES</b>			
Nonspendable	19,427	2,291	21,718
Restricted	202,241	-	202,241
Unassigned	6,212,685	(2,291)	6,210,394
<b>Total fund balances</b>	<b>6,434,353</b>	<b>-</b>	<b>6,434,353</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,365,244</b>	<b>\$ 210,332</b>	<b>\$ 12,575,576</b>

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL FUND**  
Year Ended June 30, 2021

	General Operating Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Taxes	\$ 13,043,552	\$ -	\$ 13,043,552
Local	239,712	-	239,712
Interdistrict payments	1,037,444	54,191	1,091,635
Intermediate sources	20,142	-	20,142
State	7,462,777	677,978	8,140,755
Federal	994,846	383,142	1,377,988
Other sources	144,954	-	144,954
Total revenues	22,943,427	1,115,311	24,058,738
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	7,045,271	34,115	7,079,386
Vocational instruction	640,799	-	640,799
Physical instruction	511,833	-	511,833
Special education instruction	-	1,704,862	1,704,862
Other instruction	609,267	-	609,267
Total instruction	8,807,170	1,738,977	10,546,147
Support services			
Pupil services	814,107	733,074	1,547,181
Instructional staff services	872,106	200,694	1,072,800
General administrative services	452,614	-	452,614
Building administrative services	946,163	-	946,163
Business administrative services	3,946,661	56,265	4,002,926
Central services	427,848	-	427,848
Insurance and judgments	231,133	-	231,133
Other support services	3,078,380	64,907	3,143,287
Total support services	10,769,012	1,054,940	11,823,952
Capital outlay	649,580	-	649,580
Debt service			
Interest and fees	31,612	-	31,612
Total expenditures	20,257,374	2,793,917	23,051,291
Excess (deficiency) of revenues over (under) expenditures	2,686,053	(1,678,606)	1,007,447
Other financing sources (uses)			
Proceeds from sale of assets	6,150	-	6,150
Transfers in (out)	(1,678,606)	1,678,606	-
Total other financing sources (uses)	(1,672,456)	1,678,606	6,150
<b>Net change in fund balances</b>	1,013,597	-	1,013,597
Fund balances at beginning of year	5,420,756	-	5,420,756
<b>Fund balances at end of year</b>	<b>\$ 6,434,353</b>	<b>\$ -</b>	<b>\$ 6,434,353</b>

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Revenue	School Nutrition Services	Community Services	
<b>ASSETS</b>				
Cash and investments	\$ 352,205	\$ 70,864	\$ 210,951	\$ 634,020
Accounts receivable	-	283	68	351
Due from other governments	-	20,095	-	20,095
Prepaid expenditures	-	619	-	619
<b>Total assets</b>	<b>\$ 352,205</b>	<b>\$ 91,861</b>	<b>\$ 211,019</b>	<b>\$ 655,085</b>
<b>LIABILITIES</b>				
Unearned revenue	\$ -	\$ 29,571	\$ -	\$ 29,571
Total liabilities	-	29,571	-	29,571
<b>FUND BALANCES</b>				
Nonspendable	-	619	-	619
Restricted	352,205	61,671	211,019	624,895
Total fund balances	352,205	62,290	211,019	625,514
<b>Total liabilities and fund balances</b>	<b>\$ 352,205</b>	<b>\$ 91,861</b>	<b>\$ 211,019</b>	<b>\$ 655,085</b>



**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmenta Funds
	Special Revenue	School Nutrition Services	Community Services	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 256,328	\$ 256,328
Local	274,953	21,672	6,142	302,767
State	-	10,744	-	10,744
Federal	-	540,645	-	540,645
Total revenues	274,953	573,061	262,470	1,110,484
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	95,404	-	-	95,404
Vocational instruction	56,145	-	-	56,145
Physical Instruction	3,420	-	-	3,420
Other instruction	65,734	-	-	65,734
Total instruction	220,703	-	-	220,703
Support services				
Pupil services	10,377	-	-	10,377
Instructional staff services	8,189	-	-	8,189
Business administrative services	-	549,867	96,055	645,922
Other support services	11,321	-	128,274	139,595
Total support services	29,887	549,867	224,329	804,083
Total expenditures	250,590	549,867	224,329	1,024,786
<b>Net change in fund balances</b>	24,363	23,194	38,141	85,698
Fund balances at beginning of year	327,842	39,096	172,878	539,816
<b>Fund balances at end of year</b>	<u>\$ 352,205</u>	<u>\$ 62,290</u>	<u>\$ 211,019</u>	<u>\$ 625,514</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND OTHER AUDITORS' REPORTS**

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listings Number	Grant ID	Passed Through to Subrecipients	Accrued or (Unearned) Revenue at 7/1/20	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/21
<b>Department of Agriculture</b>							
Pass-through program from Wisconsin Department of Public Instruction							
Child Nutrition Cluster							
School Breakfast Program	10.553	2021-641540-DPI-SB-546	\$ -	\$ 1,109	\$ 170,317	\$ 178,581	\$ 9,373
National School Lunch Program - Food Commodities	10.555	2021-641540-DPI-NSL-547	-	-	43,892	43,892	-
National School Lunch Program	10.555	2021-641540-DPI-NSL-547	-	1,754	309,204	318,172	10,722
<b>Total Department of Agriculture</b>			-	2,863	523,413	540,645	20,095
<b>Department of Education</b>							
Pass-through programs from Wisconsin Department of Public Instruction							
Special Education Cluster							
Special Education--Grants to States	84.027	2021-641540-IDEA-FT-341	-	67,260	272,116	256,651	51,795
Pass-through program from CESA 11							
Special Education--Grants to States	84.027	2021-641540-DPI-IDEA-F-341	-	15,476	57,342	46,098	4,232
Total Special Education--Grants to States (IDEA, Part B)			-	82,736	329,458	302,749	56,027
Special Education--Preschool Grants	84.173	2021-641540-IDEA-P-347	-	556	7,143	6,587	-
Total Special Education Cluster			-	83,292	336,601	309,336	56,027
Title I Grants to Local Educational Agencies	84.010	2021-641540-DPI-TIA-141	-	164,014	308,300	203,260	58,974
Pass-through program from CESA 1							
English Language Acquisition State Grants	84.365	2021-641540-TIIIA-391	-	-	1,192	1,192	-
Supporting Effective Instruction State Grants	84.367	2021-641540-TIIA-365	-	20,396	35,320	18,825	3,901
Student Support and Academic Enrichment Grants	84.424	2021-641540-TIV-A-381	-	5,766	17,603	11,837	-
Elementary and Secondary School Emergency Relief							
ESSER I	84.425D	2021-641540-DPI-ESSERF-160	-	-	212,250	221,141	8,891
ESSER II	84.425D	2022-641540-DPI-ESSERFII-163	-	-	439,413	467,923	28,510
Pass-through program from Burlington Area School District							
Career and Technical Education - Basic Grants to States	84.048	2021-641540-DPI-CTE-400	-	-	2,487	8,969	6,482
<b>Total Department of Education</b>			-	273,468	1,353,166	1,242,483	162,785
<b>Department of Health and Human Services</b>							
Pass-through program from Wisconsin Medicaid and Badgercare Programs							
Medical Assistance Program	93.778	44221900	-	10,287	155,955	145,668	-
<b>Total Federal Programs</b>			\$ -	\$ 286,618	\$ 2,032,534	\$ 1,928,796	\$ 182,880

See accompanying notes to schedule of expenditures of federal and state awards.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2021

State Grantor/ Program Title	State Identifying Number	Grant ID	Passed Through to Subrecipients	Accrued or (Unearned) Revenue at 7/1/20	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/21
<b>Wisconsin Department of Public Instruction</b>							
Special Education and School Age Parents	255.101	641540-100	\$ -	\$ -	\$ 673,978	\$ 673,978	\$ -
State School Lunch Aid	255.102	641540-107	-	-	5,148	5,148	-
Common School Fund Library Aid	255.103	641540-104	-	-	72,706	72,706	-
General Transportation Aid for Public School Pupils	255.107	641540-102	-	-	58,438	58,438	-
Equalization Aids	255.201	641540-116	-	79,615	5,781,977	5,793,909	91,547
Peer Review and Mentoring Grant	255.301	641540-141	-	23,155	23,155	11,837	11,837
State School Breakfast Aid	255.344	641540-108	-	-	5,595	5,595	-
Per Pupil Aid	255.945	641540-113	-	-	1,252,496	1,252,496	-
Supplemental Per Pupil Aid	255.245	641540-181	-	-	5,130	5,130	-
Educator Effective Eval Sys Grants Public	255.940	641540-154	-	-	10,400	10,400	-
Career and Technical Education Incentive Grants	255.950	641540-152	-	-	33,501	33,501	-
Assessments of Reading Readiness	255.956	641540-166	-	-	2,408	2,408	-
Aid for Special Education Transition Grant BBL	255.960	641540-168	-	-	4,000	4,000	-
Aid for School Mental Health Programs	255.227	641540-176	-	-	33,396	33,396	-
<b>Total Wisconsin Department of Public Instruction</b>			-	102,770	7,962,328	7,962,942	103,384
<b>Wisconsin Department of Revenue</b>							
Exempt Computer Aid	835.109	n/a	-	6,412	6,412	6,412	6,412
State Aid - Personal Property Tax	835.103	n/a	-	-	15,495	15,495	-
<b>Total Wisconsin Department of Revenue</b>			-	6,412	21,907	21,907	6,412
<b>Wisconsin Department of Justice</b>							
Safety Initiative Grant	455.201	2019-SS1-01-641540	-	-	78,589	78,589	-
<b>Total State Programs</b>			<b>\$ -</b>	<b>\$ 109,182</b>	<b>\$ 8,062,824</b>	<b>\$ 8,063,438</b>	<b>\$ 109,796</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2021

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**NOTE 1—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the District under programs of the federal government and state agencies 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 *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3—INDIRECT COST RATE**

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

**NOTE 4—FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, there were no commodities in inventory at the District.

**NOTE 5—OVERSIGHT AGENCIES**

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

**NOTE 6—ELIGIBLE COSTS FOR SPECIAL EDUCATION**

Eligible costs for special education under project 011 were \$2,521,814 for the year ended June 30, 2021.

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2021

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The prior audit report contained no written audit findings.

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

To the Board of Education  
East Troy Community School District  
East Troy, 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 East Troy Community School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the East Troy Community School District's basic financial statements, and have issued our report thereon dated November 2, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

## Purpose of this Report

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

Wegner CPAs LLP

Wegner CPAs, LLP  
Madison, Wisconsin  
November 2, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

To the Board of Education  
East Troy Community School District  
East Troy, Wisconsin

**Report on Compliance for Each Major Federal Program and Each Major State Program**

We have audited the East Troy Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the East Troy Community School District's major federal programs and each of its major state programs for the year ended June 30, 2021. East Troy Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal and Each Major State Program***

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

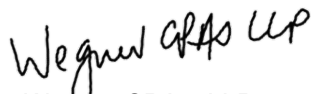
## **Report on Internal Control Over Compliance**

Management of the East Troy Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Troy Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 East Troy Community School District's internal control over compliance.

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

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

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 *Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wegner CPAs, LLP  
Madison, Wisconsin  
November 2, 2021

**EAST TROY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 June 30, 2021

**Section I—Summary of Auditor's Results**

*Financial Statements*

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Federal Assistance Listings Number(s)	Name of Federal Program or Cluster
84.027, 84.173 84.425D	Special Education Cluster Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

*State Awards*

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported? No

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Identification of major state programs:

State Identifying Number	Name of State Program
255.201	Equalization Aids

**Section II—Financial Statement Findings**

No matters were reported.

**Section III—Federal and State Award Findings and Questioned Costs**

No matters were reported.

**Section IV—Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner

  
 Scott R. Haumersen, CPA

Date of report

November 2, 2021