

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
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SHEBOYGAN, WISCONSIN
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INDEPENDENT AUDITORS' REPORT

Board of Education
Sheboygan Area School District
Sheboygan, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Sheboygan Area School District, Sheboygan, Wisconsin (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Sheboygan Public Education Foundation, Inc., a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, the major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1.B., during 2020, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. As a result, the District identified activities previously reported as fiduciary activities that no longer meet the definition of a fiduciary activity. In prior years, these amounts were reported in the pupil activity fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 11 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 60 and 65 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.

Prior-Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated November 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

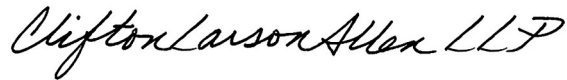
Other Information

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

The supplementary information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relates 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 supplementary information 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 December 11, 2020, on our consideration of the District's internal control over financial reporting and on our test 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 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 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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
December 11, 2020

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This discussion and analysis of Sheboygan Area School District's (the District) financial information provides an overall review of financial activities for the fiscal year. The analysis generally focuses on school district financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased by \$11,537,871.
- The District's total fund balance for all funds increased by \$6,974,950.
- The District's total assets increased by approximately \$22,095,819. The District's current assets including cash, investments, receivables and the net pension asset increased by approximately \$22,535,947 million. Capital assets net of accumulated depreciation (land, sites, buildings, and equipment) decreased by \$440,128.
- The District's total liabilities decreased by approximately \$18.5 million. This is primarily due to the Wisconsin Retirement System. For June 30, 2020, the District reports a net pension asset of \$14.0 million in comparison to a net pension liability of \$15.8 million as of the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) management's discussion and analysis, 2) district-wide financial statements, 3) fund financial statements, and 4) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

District-Wide Financial Statements

- The district-wide financial statements include the statement of net position and statement of activities. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called governmental activities, from functions that are intended to recover all or a significant portion of costs through user fees and charges called business type activities.
- The statement of net position presents information on all of the District's assets, deferred outflows/inflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The statement of activities presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.
- The district-wide financial statements are shown on pages 12 to 14 of this report.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

- The District also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balance. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements it is useful to make comparisons between the information presented. By doing so, readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the government funds statement or as a separate statement.
- The District has two kinds of funds: governmental, and fiduciary. Governmental funds include the District's general, special revenue, debt service, and capital project funds. The District also has two fiduciary funds, the employee benefit trust fund and a private purpose trust fund.
- Financial information is presented separately on both the balance sheet and the statement of revenues, expenditures and changes in fund balance for the general fund as this is considered to be a major fund. Data for each of the individual nonmajor funds is provided separated as supplementary information. The governmental fund financial statements are on pages 14 to 17 of this report.
- The District serves as a trustee, or fiduciary, for both the employee benefit trust fund and private purpose trust fund. The assets of these organizations do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations. Fiduciary fund statements are presented on pages 18 to 19.
- The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statements can be seen on pages 60 and 61.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 to 59 of this report.

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

	District-Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business.	Assets held by the district on behalf of someone else.
Required financial statements	Statement of net position, and Statement of activities.	Balance sheet, and Statement of revenues, expenditures, and changes in fund balance.	Statement of net position, and Statement of revenues, expenses and changes in net position, and Statement of cash flows.	Statement of fiduciary net position, and Statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS

The District as a Whole

Net position. Table 1, below, provides a summary of the District's net position for the year ended June 30, 2020 compared to June 30, 2019.

Table 1 – Statement of Net Position

	Governmental Activities		Total Percent Change
	2020	2019	2020-19
ASSETS			
Current/Other Assets	\$ 86,455,624	\$ 63,919,677	
Capital Assets	89,927,923	90,368,051	
Total Assets	<u>176,383,547</u>	<u>154,287,728</u>	14.3%
DEFERRED OUTFLOWS OF RESOURCES			
Outflows Related to Pension/OPEB	39,127,862	47,784,471	
Loss on Advance Refunding	493,658	713,375	
Total Deferred Outflows	<u>39,621,520</u>	<u>48,497,846</u>	-18.3%
LIABILITIES			
Long-Term Obligations	48,163,982	66,012,805	
Other Liabilities	14,034,521	14,691,878	
Total Liabilities	<u>62,198,503</u>	<u>80,704,683</u>	-22.9%
DEFERRED INFLOWS OF RESOURCES			
Inflows Related to Pension	43,657,968	23,470,166	86.0%
NET POSITION			
Net Investment in:			
Capital Assets	52,800,976	52,638,326	
Restricted	24,688,594	5,003,339	
Unrestricted	32,659,026	40,969,060	
Total Net Position	<u>\$ 110,148,596</u>	<u>\$ 98,610,725</u>	11.7%

The District's combined net position increased by 11.7% to \$110.1 million. Current and other assets increased \$22.5 million while capital assets net of accumulated depreciation decreased \$0.4 million. The calculation of net position uses a historical cost for school buildings that may not accurately reflect the true value. The District has increased the budget for maintenance and repair funds and will need to continue with annual increases to keep the District's buildings in excellent condition.

Total liabilities decreased by 22.9% or \$18.5 million. This decrease is primarily due to the District's proportionate share of the WRS system's net pension asset (liability) switching from a net pension liability in 2019 of \$15.8 million to a net pension asset of \$14.0 million in 2020.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS (CONTINUED)

The District as a Whole (Continued)

Change in net position. Table 2 shows the changes in net position for the fiscal years 2020 and 2019.

Table 2 – Change in Net Position

	Governmental Activities		Total Percent Change
	2020	2019	2020-19
REVENUES			
Program Revenues:			
Charges for Services	\$ 3,930,456	\$ 3,781,536	\$ 148,920
Operating Grants and Contributions	18,422,335	18,798,954	(376,619)
Capital Grants and Contributions	125,646	138,090	(12,444)
General Revenues:			
Property Taxes	37,157,864	36,336,322	821,542
State and Federal Aid	87,146,883	85,046,882	2,100,001
Other	1,217,540	1,834,950	(617,410)
Total Revenues	<u>148,000,724</u>	<u>145,936,734</u>	<u>2,063,990</u>
EXPENSES			
Instruction	74,204,605	82,138,608	(7,934,003)
Support Services	42,710,447	41,719,762	990,685
Community Service	2,132,625	1,682,321	450,304
Nonprogram	12,702,774	11,849,359	853,415
Interest and Fiscal Charges	1,619,585	1,632,797	(13,212)
Depreciation	3,830,708	3,145,332	685,376
School Food Service Program	-	4,625,978	(4,625,978)
Total Expenses	<u>137,200,744</u>	<u>146,794,157</u>	<u>(9,593,413)</u>
CHANGE IN NET POSITION	<u>\$ 10,799,980</u>	<u>\$ (857,423)</u>	<u>11,657,403</u>

As shown, general revenues provide about 85% of the total funding. Sheboygan Area School District relies on property taxes for 25% of its total funding. In the prior year, general revenues provided 84% of funding; and 24.9% of funding was from property tax.

- Program revenues, in the form of charges for services and operating and capital grants and contributions, totaled \$22.5 million. Overall, total revenues increased \$2.1 million.
- General revenues for operations accounted for \$125.5 million, which is about \$2.3 more than last year. Property taxes increased \$822 thousand and state and federal aid increased by \$2.1 million over the prior year.
- Expenses decreased by \$9.6 million.
- The District recognized depreciation expense of \$3.8 million.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Net cost of governmental activities. Table 3 reports the cost of six major District activities. The table also shows each activity's net cost (total cost less fees generated locally or from state and federal agencies).

Table 3 – Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2020	2019	2020	2019	2020-19
Instruction	\$ 74,204,605	\$ 82,138,608	\$ 60,404,641	\$ 68,577,501	-12%
Support Services	42,710,447	46,345,740	34,812,498	38,080,898	-9%
Community Services	2,132,625	1,682,321	1,534,405	963,894	59%
Nonprogram	12,702,774	11,849,359	12,520,470	11,675,155	7%
Interest and Fiscal Charges	1,619,585	1,632,797	1,619,585	1,632,797	-1%
Depreciation	3,830,708	3,145,332	3,830,708	3,145,332	22%
Total	<u>\$ 137,200,744</u>	<u>\$ 146,794,157</u>	<u>\$ 114,722,307</u>	<u>\$ 124,075,577</u>	-8%

- The total cost of all governmental activities decreased approximately \$9.6 million compared to an increase of \$8.9 million the previous year.
- The net cost of services of all governmental activities decreased by \$9.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2020 fiscal year, the District had invested approximately \$162 million in a broad range of capital assets, including buildings, sites, furniture, and equipment. (See Table 4.) This amount was slightly higher than investment in capital assets last year. Additional information about capital assets can be found in Note 2B. Total accumulated depreciation on these assets is \$72.3 million.

Table 4 – Property and Equipment

	Governmental Activities		Total Percent Change
	2020	2019	2020-19
Land	\$ 3,433,413	\$ 3,433,413	0.00%
Construction in Progress	278,046	7,206,448	-96.14%
Land Improvements	3,232,415	3,016,450	7.16%
Buildings/Building Improvements	145,002,800	137,268,980	5.63%
Equipment/Furniture	10,250,416	8,088,916	26.72%
Accumulated Depreciation	(72,269,167)	(68,646,156)	5.28%
Total	<u>\$ 89,927,923</u>	<u>\$ 90,368,051</u>	-0.49%

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Asset acquisitions in the current year include:

- Building additions, remodeling, and upgrades to building HVAC systems.
- Equipment additions including an upgrade to the phone system and fire and security systems.

Long-Term Debt

At year-end, the district had \$46.6 million in general obligation debt and other long-term debt outstanding (see Table 5). Additional information about the District's long-term obligations is presented in Note 2 D to the financial statements.

Table 5 – Outstanding Long-Term Obligations

	Total School District		Total Percent Change
	2020	2019	2020-19
General Obligation Debt	\$ 45,270,000	\$ 48,918,000	-7.46%
Other	1,361,877	1,276,174	6.72%
Total	\$ 46,631,877	\$ 50,194,174	-7.10%

- The District made principal payments on outstanding general obligation bonds and notes in the amount of \$3,648,000.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the district's financial status in the future are:

- State's funding formula for supporting education
- The state of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The state adjusts each district's general state aid payment based on the number of students who transfer. Expansion of the state's private voucher program is being funded with dollars from the state education budget, reducing the funding for public schools.
- Summer School FTE is down due to decreased programming being all virtual during the COVID-19 pandemic.
- The District will continue to evaluate the need for additional resources and potential impact of funding due to COVID-19.

**SHEBOYGAN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Boehlke, Assistant Superintendent, Sheboygan Area School District, 830 Virginia Avenue, Sheboygan WI 53081.

BASIC FINANCIAL STATEMENTS

SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)

	Governmental Activities		Component Unit
			Sheboygan Public Education Foundation
	2020	2019	
ASSETS			
Cash and Investments	\$ 56,038,299	\$ 49,136,554	\$ 5,141,117
Receivables:			
Taxes	9,754,044	9,829,274	-
Accounts	322,684	247,617	-
Due from Other Governments	3,578,446	4,318,787	-
Inventories and Prepaid Items	637,577	91,045	2,236
Net Pension Asset	14,027,128	-	-
Net Other Postemployment Benefit Asset	1,960,246	-	-
Unconditional Promises to Give, Less Current Maturities	137,200	296,400	2,608
Capital Assets:			
Nondepreciable	3,711,459	10,639,861	-
Depreciable, Net	86,216,464	79,728,190	3,409
Total Assets	<u>176,383,547</u>	<u>154,287,728</u>	<u>5,149,370</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Advance Refunding	493,658	713,375	-
Pension Related Amounts	30,675,522	41,075,820	-
Other Postemployment Related Amounts	8,452,340	6,708,651	-
Total Deferred Outflows of Resources	<u>39,621,520</u>	<u>48,497,846</u>	<u>-</u>
LIABILITIES			
Accounts Payable	988,382	954,546	747,250
Accrued and Other Current Liabilities	2,823,475	3,085,120	3,090
Accrued Interest Payable	451,000	478,000	-
Unearned Revenues	131,300	98,159	-
Deposits Payable	3,018,846	2,783,711	-
Health and Dental Claims Payable	3,217,166	3,524,810	-
Long-Term Obligations:			
Due in One Year	3,404,352	3,648,000	-
Due in More than One Year	43,227,525	46,546,174	-
Other Postemployment Benefits Liability	4,936,457	3,763,651	-
Net Pension Liability	-	15,822,512	-
Total Liabilities	<u>62,198,503</u>	<u>80,704,683</u>	<u>750,340</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts	42,088,270	21,801,528	-
Other Postemployment Related Amounts	1,569,698	1,668,638	-
Total Deferred Inflows of Resources	<u>43,657,968</u>	<u>23,470,166</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	52,800,976	52,638,326	3,409
Restricted	24,688,594	5,003,339	2,605,927
Unrestricted	32,659,026	40,969,060	1,789,694
Total Net Position	<u>\$ 110,148,596</u>	<u>\$ 98,610,725</u>	<u>\$ 4,399,030</u>

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Sheboygan Public Education Foundation
					2020	2019	
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 74,204,605	\$ 3,219,030	\$ 10,580,934	\$ -	\$ (60,404,641)	\$ (68,577,501)	\$ -
Support Services	42,710,447	189,674	7,582,629	125,646	(34,812,498)	(38,080,898)	-
Community Services	2,132,625	521,752	76,468	-	(1,534,405)	(963,894)	-
Nonprogram	12,702,774	-	182,304	-	(12,520,470)	(11,675,155)	-
Interest and Fiscal Charges	1,619,585	-	-	-	(1,619,585)	(1,632,797)	-
Depreciation - Unallocated	3,830,708	-	-	-	(3,830,708)	(3,145,332)	-
Total Governmental Activities	<u>\$ 137,200,744</u>	<u>\$ 3,930,456</u>	<u>\$ 18,422,335</u>	<u>\$ 125,646</u>	<u>(114,722,307)</u>	<u>(124,075,577)</u>	<u>-</u>
Component Unit:							
Sheboygan Public Education Foundation	<u>\$ 161,133</u>	<u>\$ -</u>	<u>\$ 289,154</u>	<u>\$ -</u>	-	-	128,021
GENERAL REVENUES							
Property Taxes					36,978,918	36,286,425	-
Other Taxes					178,946	49,897	-
State and Federal Aids not Restricted to Specific Functions					87,146,883	85,046,882	-
Interest and Investment Earnings					645,061	1,013,041	31,446
Gain on Disposal of Capital Assets					3,668	-	-
Miscellaneous					568,811	821,909	-
Total General Revenues					<u>125,522,287</u>	<u>123,218,154</u>	<u>31,446</u>
CHANGE IN NET POSITION					<u>10,799,980</u>	<u>(857,423)</u>	<u>159,467</u>
Net Position - Beginning of Year, as originally reported					98,610,725	99,468,148	4,239,563
Cumulative Effect of Change in Accounting Principle					<u>737,891</u>	<u>-</u>	<u>-</u>
Net Position - Beginning of Year, Restated					<u>99,348,616</u>	<u>99,468,148</u>	<u>4,239,563</u>
NET POSITION - END OF YEAR					<u>\$ 110,148,596</u>	<u>\$ 98,610,725</u>	<u>\$ 4,399,030</u>

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	General	Other Governmental Funds	Totals	
			2020	2019
ASSETS				
Cash and Investments	\$ 45,279,828	\$ 10,758,471	\$ 56,038,299	\$ 49,136,554
Receivables:				
Taxes	9,754,044	-	9,754,044	9,829,274
Accounts	252,307	207,577	459,884	544,017
Due from Other Funds	511,040	1,000,000	1,511,040	-
Due from Other Governments	3,368,957	209,489	3,578,446	4,318,787
Inventories and Prepaid Items	619,122	18,455	637,577	91,045
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 59,785,298</u>	<u>\$ 12,193,992</u>	<u>\$ 71,979,290</u>	<u>\$ 63,919,677</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 531,172	\$ 457,210	\$ 988,382	\$ 954,546
Accrued and Other Current Liabilities	2,772,201	51,274	2,823,475	3,037,557
Due to Other Funds	1,000,000	511,040	1,511,040	-
Unearned Revenues	-	131,300	131,300	98,159
Deposits Payable	2,978,181	40,665	3,018,846	2,831,274
Health and Dental Claims Payable	3,217,166	-	3,217,166	3,524,810
Total Liabilities	<u>10,498,720</u>	<u>1,191,489</u>	<u>11,690,209</u>	<u>10,446,346</u>
DEFERRED INFLOWS OF RESOURCES				
Other Receivables	-	137,200	137,200	296,400
FUND BALANCES				
Nonspendable	619,122	18,455	637,577	91,045
Restricted	-	10,846,848	10,846,848	10,795,457
Committed	5,147,551	-	5,147,551	5,108,966
Assigned	10,551,959	-	10,551,959	6,783,935
Unassigned	32,967,946	-	32,967,946	30,397,528
Total Fund Balances	<u>49,286,578</u>	<u>10,865,303</u>	<u>60,151,881</u>	<u>53,176,931</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 59,785,298</u>	<u>\$ 12,193,992</u>	<u>\$ 71,979,290</u>	<u>\$ 63,919,677</u>

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
RECONCILIATION TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Total Fund Balances as Shown on Previous Page	\$ 60,151,881	\$ 53,176,931
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	89,927,923	90,368,051
Unconditional promises to give are not financial resources and therefore not reported in the funds.	137,200	296,400
Long-term assets are not available; therefore, are not reported in the funds:		
Net Pension Asset	14,027,128	-
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on Advance Refunding	493,658	713,375
Deferred Outflows Related to Pensions	30,675,522	41,075,820
Deferred Inflows Related to Pensions	(42,088,270)	(21,801,528)
Deferred Outflows Related to Other Postemployment Benefits	8,452,340	6,708,651
Deferred Inflows Related to Other Postemployment Benefits	(1,569,698)	(1,668,638)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(45,270,000)	(48,918,000)
Premium on Debt	(613,085)	(682,437)
Compensated Absences	(748,792)	(593,737)
Other Postemployment Benefits Liability	(2,976,211)	(3,763,651)
Net Pension Liability	-	(15,822,512)
Accrued Interest on Long-Term Obligations	(451,000)	(478,000)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$ 110,148,596	\$ 98,610,725

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	Other		Totals	
	General	Governmental Funds	2020	2019
REVENUES				
Property Taxes	\$ 29,565,128	\$ 7,450,510	\$ 37,015,638	\$ 36,336,322
Other Local Sources	1,744,548	2,727,967	4,472,515	4,296,678
Interdistrict Sources	2,228,227	-	2,228,227	2,311,913
State Sources	93,821,048	91,356	93,912,404	91,999,291
Federal Sources	6,371,343	3,585,557	9,956,900	10,838,870
Other Sources	297,882	249,231	547,113	416,360
Total Revenues	134,028,176	14,104,621	148,132,797	146,199,434
EXPENDITURES				
Instruction:				
Regular Instruction	49,695,803	164,834	49,860,637	51,423,107
Vocational Instruction	2,472,282	50,332	2,522,614	2,774,082
Special Education Instruction	16,403,020	-	16,403,020	16,227,302
Other Instruction	4,340,837	635,258	4,976,095	4,556,245
Total Instruction	72,911,942	850,424	73,762,366	74,980,736
Support Services:				
Pupil Services	7,074,360	95,403	7,169,763	7,392,233
Instructional Staff Services	3,694,728	13,306	3,708,034	4,049,884
General Administration Services	1,788,408	-	1,788,408	2,147,903
School Administration Services	7,009,548	26,340	7,035,888	7,015,159
Business Services	2,587,705	104	2,587,809	2,470,244
Operations and Maintenance of Plant	9,459,825	3,436,622	12,896,447	20,140,791
Pupil Transportation Services	2,078,459	19,552	2,098,011	2,186,209
Food Services	-	4,357,943	4,357,943	4,625,978
Central Services	839,541	4,980	844,521	404,839
Insurance	862,276	56,382	918,658	816,608
Other Support Services	4,906,087	91,876	4,997,963	4,314,947
Total Support Services	40,300,937	8,102,508	48,403,445	55,564,795
Debt Service:				
Principal	-	3,648,000	3,648,000	3,365,000
Interest and Fiscal Charges	-	1,496,220	1,496,220	1,535,232
Total Debt Service	-	5,144,220	5,144,220	4,900,232
Community Service	-	1,722,080	1,722,080	1,631,095
Nonprogram:				
General Tuition Payments	10,142,359	-	10,142,359	9,754,108
Special Education Tuition Payments	103,469	-	103,469	172,368
Adjustments and Refunds	27,485	58,426	85,911	179,391
Private School Choice Payments	2,506,968	-	2,506,968	1,695,197
Revenue Transits to Others	52,419	-	52,419	48,295
Total Nonprogram	12,832,700	58,426	12,891,126	11,849,359
Total Expenditures	126,045,579	15,877,658	141,923,237	148,926,217
Excess of Revenues Over (Under) Expenditures	7,982,597	(1,773,037)	6,209,560	(2,726,783)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	13,170	14,329	27,499	-
Transfers In	-	1,058,426	1,058,426	1,168,454
Transfers Out	(1,058,426)	-	(1,058,426)	(1,168,454)
Total Other Financing Sources (Uses)	(1,045,256)	1,072,755	27,499	-
NET CHANGE IN FUND BALANCES	6,937,341	(700,282)	6,237,059	(2,726,783)
Fund Balances - Beginning of Year, as Originally Reported	42,349,237	10,827,694	53,176,931	55,903,714
Cumulative Effect of Change in Accounting Principle	-	737,891	737,891	-
Fund Balances - Beginning of Year, Restated	42,349,237	11,565,585	53,914,822	55,903,714
FUND BALANCES - END OF YEAR	\$ 49,286,578	\$ 10,865,303	\$ 60,151,881	\$ 53,176,931

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
RECONCILIATION TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
Net Change in Fund Balances as Shown on Previous Page	\$ 6,237,059	\$ (2,726,783)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p>Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements</p> <p>Depreciation Expense Reported in the Statement of Activities</p> <p>Net Book Value of Disposals</p>		
	3,400,082	9,698,135
	(3,830,708)	(3,145,332)
	(9,502)	(3,433,411)
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p> <p>Unconditional Promises to Give</p>		
	(159,200)	(262,700)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p> <p>Principal Repaid</p>		
	3,648,000	3,365,000
<p>Some expenses reported in the Statement of Activities do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p> <p>Accrued Interest on Long-Term Debt</p> <p>Amortization of Premiums and Loss on Advance Refunding</p> <p>Compensated Absences</p> <p>Net Pension Asset</p> <p>Net Pension Liability</p> <p>Deferred Outflows of Resources Related to Pensions</p> <p>Deferred Inflows of Resources Related to Pensions</p> <p>Other Postemployment Benefits</p> <p>Deferred Outflows of Resources Related to Other Postemployment Benefits</p> <p>Deferred Inflows of Resources Related to Other Postemployment Benefits</p>		
	27,000	52,800
	(150,365)	(150,365)
	(155,055)	45,981
	14,027,128	(13,521,508)
	15,822,512	(15,822,512)
	(10,400,298)	18,095,394
	(20,286,742)	4,842,863
	787,440	(862,075)
	1,743,689	3,640,428
	98,940	(673,338)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	<u>\$ 10,799,980</u>	<u>\$ (857,423)</u>

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2020	2019
ASSETS				
Cash and Investments	\$ 14,170	\$ 28,929,446	\$ 28,943,616	\$ 26,743,873
Accounts Receivable	-	12,834	12,834	7,550
Total Assets	14,170	28,942,280	28,956,450	26,751,423
LIABILITIES				
Accounts Payable	-	21,620	21,620	51,588
Retiree Benefits Payable	-	4,589,682	4,589,682	4,712,748
Other	-	10,657	10,657	16,020
Due to Student Organizations	-	-	-	702,223
Total Liabilities	-	4,621,959	4,621,959	5,482,579
NET POSITION				
Restricted	\$ 14,170	\$ 24,320,321	\$ 24,334,491	\$ 21,268,844

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	Private Purpose Trust	Employee Benefit Trust	2020	2019
ADDITIONS				
Other Local Sources	\$ -	\$ -	\$ -	\$ 13,807
Contributions:				
Employer	-	4,000,000	4,000,000	4,000,000
Plan Members	-	186,783	186,783	236,708
Investment Earnings	363	556,949	557,312	440,542
Total Additions	<u>363</u>	<u>4,743,732</u>	<u>4,744,095</u>	<u>4,691,057</u>
DEDUCTIONS				
Trust Fund Disbursements	-	1,672,379	1,672,379	2,476,660
Administrative Expenditures	-	6,069	6,069	2,271
Total Deductions	<u>-</u>	<u>1,678,448</u>	<u>1,678,448</u>	<u>2,478,931</u>
CHANGE IN NET POSITION	363	3,065,284	3,065,647	2,212,126
Net Position - Beginning of Year	<u>13,807</u>	<u>21,255,037</u>	<u>21,268,844</u>	<u>19,056,718</u>
NET POSITION - END OF YEAR	<u>\$ 14,170</u>	<u>\$ 24,320,321</u>	<u>\$ 24,334,491</u>	<u>\$ 21,268,844</u>

See accompanying Notes to Basic Financial Statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Sheboygan Area School District, Sheboygan, Wisconsin (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The District is organized as a unified school district. The District, governed by an elected nine member board, operates grades K through 12 and is comprised of all or parts of seven taxing districts. In accordance with U.S. GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has identified the following component unit that is required to be included in the basic financial statements in accordance with standards.

Sheboygan Public Education Foundation

The component unit column in the district-wide financial statements provides the financial data for the Sheboygan Public Education Foundation, Inc. The component unit is reported in a separate column to emphasize that it is legally separate from the District.

The Sheboygan Public Education Foundation, Inc. exists for the purpose of raising money and generating contributions from the members of the Sheboygan community to enhance the student educational opportunities. The Sheboygan Public Education Foundation, Inc. is reported as a component unit because it raises and holds economic resources almost entirely for the direct benefit of the District or its constituents. Complete financial statements for the component unit can be obtained from the Sheboygan Public Education Foundation, Inc., 605 N. 8th Street, Suite 214, Sheboygan, Wisconsin 53081.

B. Government-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by taxes and intergovernmental revenues.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the District reports the following fund type:

- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.

The District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Amounts were recorded in the pupil activity fiduciary fund in prior years. Due to the implementation of GASB Statement No. 84, *Fiduciary Activities* are now recorded in a special revenue fund, Donations.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

2. Property Taxes

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

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year-end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Accounts Receivable

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

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

5. Inventories

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

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefited.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant, and equipment assets, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Assets	Governmental Activities	Component Unit
Land Improvements	20 Years	- Years
Buildings and Improvements	20 - 45 Years	- Years
Machinery and Equipment	5 - 20 Years	5 - 7 Years

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The District reports unavailable revenues for other receivables, which arises only under the modified accrual basis of accounting. These inflows are recognized as revenues in the district-wide financial statements.

10. Long-Term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

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

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Single-Employer Defined Postemployment Benefit Plan

For purposes of measuring the net OPEB liability (asset), 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 (the 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.

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. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

13. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance. Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

Restricted Fund Balance. Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

Committed Fund Balance. Amounts that are constrained for specific purposes by action of the board of education. These constraints can only be removed or changed by the board of education using the same action that was used to create them.

Assigned Fund Balance. Amounts that are constrained for specific purposes by action of District management. The board of education has not authorized a specific employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

Unassigned Fund Balance. Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Asset, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

13. Fund Equity (Continued)

District-Wide Statements

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

Net Investment in Capital Assets. Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

Restricted Net Position. Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position. Net position that is neither classified as restricted nor as net investment in capital assets.

- E. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

- F. Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The debt service funds, capital project funds, and employee benefit trust funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state, and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$84,981,915 on June 30, 2020 as summarized below:

Primary Government:	
Petty Cash and Cash on Hand	\$ 19,550
Deposits with Financial Institutions	56,245,202
Investments:	
Wisconsin Investment Series Cooperative	2,693,106
Exchange Traded Funds	664,877
Money Market Mutual Funds	104,313
Mutual Bond Funds	1,267,049
Annuity	23,859,458
Beneficial Interest In Assets Held By Foundation	128,360
Total	<u>\$ 84,981,915</u>
Component Unit:	
Deposits with Financial Institutions	\$ 5,790
Investments:	
Cash and Cash Equivalents	619,649
Equity Funds	2,705,129
Taxable Bonds	1,810,549
Total	<u>\$ 5,141,117</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 56,038,299
Fiduciary Fund Statement of Net Position:	
Trust Funds	28,943,616
Total	<u>\$ 84,981,915</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2020:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Primary Government:			
Exchange Traded Funds	\$ -	\$ 664,877	\$ -
Money Market Mutual Funds	104,313	-	-
Mutual Bonds Fund	-	1,267,049	-
Beneficial Interest in Assets Held by Foundation	-	-	128,360
Total Investments by Fair Value Level	<u>\$ 104,313</u>	<u>\$ 1,931,926</u>	<u>\$ 128,360</u>
Component Unit			
Component Unit:			
Equity Funds	\$ -	\$ 2,705,129	\$ -
Taxable Bonds	-	1,810,549	-
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 4,515,678</u>	<u>\$ -</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will 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 credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of June 30, 2020, \$55,798,845 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$0 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

As of June 30, 2020, the carrying amount of the component unit's cash and investments was \$5,790 and the bank balance was \$12,427. None of the component unit's deposits with financial institutions were in excess of federal depository limits and uncollateralized.

Annuity

The annuity is valued at contract value. Contract value for the annuity represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Primary Government:					
Money Market Mutual Funds	\$ 104,313	\$ -	\$ -	\$ -	\$ 104,313
Mutual Bonds Funds	1,267,049	-	-	-	1,267,049
Totals	<u>\$ 1,371,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,371,362</u>

Exchange Traded Fund

Exchange traded funds (invested in the Employee Benefit Trust Fund) are considered equity investments not subject to credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At June 30, 2020, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Primary Government:					
Money Market Mutual Funds	\$ 104,313	\$ 104,313	\$ -	\$ -	\$ -
Mutual Bond Funds	1,267,049	1,267,049	-	-	-
Totals	<u>\$ 1,371,362</u>	<u>\$ 1,371,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Beneficial Interest in Investments Held by Foundation

Beneficial interest in investments held by foundation represent amounts held at the Sheboygan Public Education Foundation. These investments are legal assets of the Foundation with restriction that the Foundation make distributions to the District, in accordance with its spending policy.

B. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Nondepreciable:				
Land	\$ 3,433,413	\$ -	\$ -	\$ 3,433,413
Construction in Progress	7,206,448	1,609,019	8,537,421	278,046
Total Capital Assets, Nondepreciable	<u>10,639,861</u>	<u>1,609,019</u>	<u>8,537,421</u>	<u>3,711,459</u>
Capital Assets, Depreciable:				
Land Improvements	3,016,450	215,965	-	3,232,415
Buildings and Improvements	137,268,980	7,733,820	-	145,002,800
Machinery and Equipment	8,088,916	2,378,699	217,199	10,250,416
Subtotals	<u>148,374,346</u>	<u>10,328,484</u>	<u>217,199</u>	<u>158,485,631</u>
Less Accumulated Depreciation for:				
Land Improvements	2,484,615	42,440	-	2,527,055
Buildings and Improvements	62,044,824	2,706,949	-	64,751,773
Machinery and Equipment	4,116,717	1,081,319	207,697	4,990,339
Subtotals	<u>68,646,156</u>	<u>3,830,708</u>	<u>207,697</u>	<u>72,269,167</u>
Total Capital Assets, Depreciable, Net	<u>79,728,190</u>	<u>6,497,776</u>	<u>9,502</u>	<u>86,216,464</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,368,051</u>	<u>\$ 8,106,795</u>	<u>\$ 8,546,923</u>	89,927,923
Less: Capital Related Debt				38,755,000
Less: Debt Premium				613,085
Less: Accounts Payable				108,973
Add: Unspent Proceeds				1,959,255
Add: Loss on Advance Refunding				<u>390,856</u>
Net Investment in Capital Assets				<u>\$ 52,800,976</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (Continued)

Component Unit:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Depreciable:				
Machinery and Equipment	\$ 27,211	\$ -	\$ -	\$ 27,211
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>22,527</u>	<u>1,275</u>	<u>-</u>	<u>23,802</u>
Component Unit Capital Assets, Net	<u>\$ 4,684</u>	<u>\$ (1,275)</u>	<u>\$ -</u>	<u>\$ 3,409</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

C. Interfund Transfers

Interfund transfers were as follows for the year ended June 30, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 1,058,426
Food Service	58,426	-
Long-Term Capital Projects	1,000,000	-
Total	<u>\$ 1,058,426</u>	<u>\$ 1,058,426</u>

Interfund transfers were made for the following purposes:

To move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.	\$ 58,426
To transfer money to long-term capital projects.	1,000,000
Total	<u>\$ 1,058,426</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Debt:					
Bonds	\$ 43,425,000	\$ -	\$ 3,440,000	\$ 39,985,000	\$ 3,335,000
Notes	5,493,000	-	208,000	5,285,000	-
Total General Obligation Debt	48,918,000	-	3,648,000	45,270,000	3,335,000
Debt Premium	682,437	-	69,352	613,085	69,352
Health and Dental claims payable	3,524,810	16,663,393	16,971,037	3,217,166	3,217,166
Compensated Absences	593,737	155,055	-	748,792	-
Governmental Activities Long-Term Obligations	<u>\$ 53,718,984</u>	<u>\$ 16,818,448</u>	<u>\$ 20,688,389</u>	<u>\$ 49,849,043</u>	<u>\$ 6,621,518</u>

Total interest paid during the year on long-term debt totaled \$1,496,220.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
General Obligation Bonds	2/15/11	4/1/21	3.55 - 4.40%	\$ 8,445,000	\$ 1,230,000
General Obligation Bonds	2/15/11	4/1/23	5.25%	895,000	895,000
General Obligation Bonds	3/26/12	3/1/25	2.00 - 2.50%	10,000,000	8,350,000
General Obligation Bonds	4/25/13	3/1/22	1.00 - 2.00%	10,000,000	2,665,000
General Obligation notes	6/27/13	4/1/23	2.85 - 3.05%	5,285,000	5,285,000
General Obligation Bonds	3/7/17	9/1/37	3.50 - 3.75%	8,620,000	8,620,000
General Obligation Bonds	5/17/17	3/1/34	3.00 - 3.50%	9,975,000	9,975,000
General Obligation Bonds	2/13/18	3/1/30	3.00%	8,250,000	8,250,000
Total Outstanding General Obligation Debt					<u>\$ 45,270,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$45,270,000 on June 30, 2020 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 3,335,000	\$ 1,398,333	\$ 4,733,333
2022	5,135,000	1,288,063	6,423,063
2023	5,390,000	1,123,905	6,513,905
2024	2,255,000	974,726	3,229,726
2025	2,310,000	917,663	3,227,663
2026-2030	9,295,000	3,832,311	13,127,311
2031-2035	12,020,000	2,275,738	14,295,738
2036-2038	5,530,000	309,544	5,839,544
Total	<u>\$ 45,270,000</u>	<u>\$ 12,120,283</u>	<u>\$ 57,390,283</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2020 was \$353,656,281 as follows:

Equalized Valuation of the District	\$ 3,989,262,810
Statutory Limitation Percentage	<u>10%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	398,926,281
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>45,270,000</u>
Legal Margin for New Debt	<u><u>\$ 353,656,281</u></u>

E. Operating Leases

The District leases office space and various equipment under long-term operating leases. Following is a schedule, by years, of future minimum rental payments required under long-term operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 782,298
2022	736,556
2023	700,242
2024	125,159
2025	86,458
2026 - 2027	<u>28,960</u>
Total Minimum Payments Required	<u><u>\$ 2,459,673</u></u>

Rent expense under all operating leases for the year ended June 30, 2020 amounted to \$764,710.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan

1. WRS Pension 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, and expected to work at least 1200 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 Comprehensive Annual Financial Report (CAFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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.

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.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

Vested participants may retire at or after age 55 (50 for protective occupation employees) 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.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	- 1.3%	22.0%
2011	- 1.2%	11.0%
2012	- 7.0%	- 7.0%
2013	- 9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	20.0%
2016	0.5%	- 5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%

Contributions

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

During the year ended June 30, 2020, the WRS recognized \$4,546,979 in contributions from the District.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
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, 2020, the District reported an asset of \$14,027,128 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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, 2019, the District's proportion was .43502303%, which was a decrease of .00971858% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$5,393,380.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources (Continued)

Related to Pensions (Continued)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 26,626,695	\$ 13,324,879
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	28,676,437
Changes in Assumptions	1,093,085	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	93,321	86,954
Employer Contributions Subsequent to the Measurement Date	2,862,421	-
Total	<u>\$ 30,675,522</u>	<u>\$ 42,088,270</u>

\$2,862,421 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as an increase 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:

<u>Year Ending June 30,</u>	<u>Expense</u>
2021	\$ (4,204,477)
2022	(3,171,024)
2023	490,196
2024	(7,389,864)
Total	<u>\$ (14,275,169)</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Actuarial Assumptions

The total pension liability (asset) in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Actuarial Cost Method:	Entry Age
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. 2.1% 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 2019 that covered a three-year period from January 1, 2015 to December 31, 2018. The total pension liability for December 31, 2019, is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Actuarial Assumptions (Continued)

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

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	49.0%	8.0%	5.1%
Fixed Income	24.5	4.9%	2.1%
Inflation Sensitive Assets	15.5	4.0%	1.2%
Real Estate	9.0	6.3%	3.5%
Private Equity/Debt	8.0	10.6%	7.6%
Multi-Asset	4.0	6.9%	4.0%
Cash	-10.0	0.9%	N/A
Total Core Fund	110.0%	7.5%	4.6%
Variable Fund Asset Class:			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0	8.2%	5.3%
Total Variable Fund	100.0%	7.8%	4.9%

New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability (asset) for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 2.75%. (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, 2019. 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 7.0% 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 members 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 36,122,362	\$ (14,027,128)	\$ (51,519,640)

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>.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

1. WRS Pension Plan Description (Continued)

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$1,734,503 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

G. Other Postemployment Benefits

The District reports OPEB related balances at June 30, 2020 as summarized below:

	OPEB Asset	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ -	\$ 4,936,457	\$ 1,927,461	\$ 795,794
Single-Employer Defined OPEB Plan	1,960,246	-	6,524,879	773,904
Total OPEB Liability	<u>\$ 1,960,246</u>	<u>\$ 4,936,457</u>	<u>\$ 8,452,340</u>	<u>\$ 1,569,698</u>

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below. The Plan does not issue separate financial statements.

Benefits Provided

The District will contribute towards the retiree's premiums for medical and prescription drug premiums based on predetermined percentages until eligibility for Medicare or death.

The District shall make contributions per year of services to individual HRA accounts, up to a maximum depending on employee type, date of hire and years of service.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	86
Active Employees	<u>1,279</u>
Total	<u><u>1,365</u></u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

Contributions

Administrators

At Least 55 Years of Age and 10 Years of Service

Retire by June 30, 2013

Medical and Prescription Drug Insurance Contributions

Years of Service	Percent Contribution
10 Years	0.60%
15 Years	0.75%
20 Years	0.85%
25 Years	0.95%
30 or More Years	1.00%

Hired Prior to July 1, 2008 and Retiring after June 30, 2013

At Retirement \$2,500 Per Year of Service up to \$87,500

Hired after July 1, 2008 and Hired Prior to July 1, 2013

At Retirement \$1,500 up to \$52,500

Teachers

At Least 55 Years of Age and 10 Years of Service

Retire by June 30, 2013

Medical and Prescription Drug Insurance Contributions

Years of Service	Percent Contribution
15 Years	0.60%
20 Years	0.65%
25 Years	0.70%
30 Years	0.75%
35 or More Years	0.80%

Hired Prior to July 1, 2003

At Retirement \$2,000 Per Year of Service up to \$70,000

Hired Prior to July 1, 2013

At Retirement \$1,000 up to \$35,000

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

Contributions (Continued)

Support Staff

At Least 55 Years of Age and 10 Years of Service
Retire by June 30, 2013, District will Contribute of 88% of
Medical Premiums and 90% of Dental Premiums

Hired Prior to July 1, 1993 and Retiring after June 30, 2013
At Retirement \$1,000 Per Year of Service up to \$35,000

Hired after July 1, 1993 and Prior to July 1, 2013
At Retirement \$500 up to \$17,000

Net OPEB Asset

The District's net OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary Increases	Ranges from 0.2% to 5.6%
Investment Rate of Return	3.50%
Healthcare Cost Trend Rates	6.3% Decreasing by 0.10% Per Year Down to 5.0%, and Level Thereafter

Mortality rates are the same as those used in the December 31, 2018 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2019 valuation were based on the "Wisconsin Retirement System 2015 – 2017 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 3.50%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

OPEB Assets (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position 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 (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2018	\$ 19,796,908	\$ 19,056,718	\$ 740,190
Changes for the Year:			
Service Cost	837,223	-	837,223
Interest	716,083	-	716,083
Changes of Assumptions or Other Input	184,529	-	184,529
Contributions - Employer		4,000,000	(4,000,000)
Net Investment Income		440,542	(440,542)
Benefit Payments	(2,239,952)	(2,239,952)	-
Administrative Expense	-	(2,271)	2,271
Net Changes	<u>(502,117)</u>	<u>2,198,319</u>	<u>(2,700,436)</u>
Balance at June 30, 2019	<u>\$ 19,294,791</u>	<u>\$ 21,255,037</u>	<u>\$ (1,960,246)</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate.

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net OPEB Liability (Asset)	\$ (1,225,991)	\$ (1,960,246)	\$ (2,698,693)

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

Changes in the Net OPEB Liability (Asset) (Continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.3% decreasing to 4.0%) or 1-percentage-point higher (7.3% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.3% Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.3% Decreasing to 5.0%)	1% Increase (7.3% Decreasing to 6.0%)
Net OPEB Liability (Asset)	\$ (2,097,687)	\$ (1,960,246)	\$ (1,806,086)

OPEB Plan Fiduciary Net Position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

OPEB Plan Information. At June 30, 2020, the Plan's total OPEB liability was \$19,895,875 and fiduciary net position was \$24,320,321, resulting in a net OPEB asset of \$4,424,446. The net OPEB asset for purposes of Plan reporting was measured at June 30, 2020 and the total OPEB liability was determined using an actuarial valuation at June 30, 2018. Plan fiduciary net position was 122.2% of the total OPEB liability.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,022,706. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,623,677	\$ 652,750
Changes in Assumptions	610,442	121,154
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	290,760	-
District Contributions Subsequent to the Measurement Date	4,000,000	-
Total	<u>\$ 6,524,879</u>	<u>\$ 773,904</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$4,000,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2020, and reported 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 other postemployment benefits expense as follows:

<u>Year Ending June 30.</u>	<u>Expense</u>
2021	\$ 214,714
2022	214,715
2023	207,576
2024	197,291
2025	135,884
Thereafter	780,795
Total	<u>\$ 1,750,975</u>

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$-0- for the outstanding amount of contribution to the plan required for the year ended June 30, 2020.

2. Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a cost sharing 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 postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

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

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

Benefits Provided

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

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

Contribution rates for the reporting period are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% of Employee Contribution
25% Postretirement 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, 2019 are listed below:

Life Insurance Employee Contribution Rates Year Ended December 31, 2019		
Attained Age	Basic	Supplemental
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.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

During the reporting period, the LRLIF recognized \$20,957 in contributions from the employer.

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

At June 30, 2020, the District reported a liability of \$4,936,457 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefits 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, 2019, the District's proportion was 1.15928400%, which was a decrease of 0.012447% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$520,225.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 221,147
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	93,119	-
Changes in Assumptions	1,821,081	542,973
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	13,261	31,674
Total	<u>\$ 1,927,461</u>	<u>\$ 795,794</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Year Ending June 30,</u>	<u>Expense</u>
2021	\$ 194,111
2022	194,111
2023	184,071
2024	173,729
2025	142,348
Thereafter	243,297
Total	<u><u>\$ 1,131,667</u></u>

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, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
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, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. 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.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Single Discount Rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the District's Proportionate Share of Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.87%, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 6,816,420	\$ 4,936,457	\$ 3,506,171

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$-0- for the outstanding amount of contribution to the plan required for the year ended June 30, 2020.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2020, nonspendable fund balance was as follows:

	General	Nonmajor
Nonspendable		
Inventories and Prepaid Items	\$ 619,122	\$ 18,455

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fund balance was as follows:

Special Revenue Funds

Restricted for:

Programs, Equipment, and Other	\$ 1,402,060
Food Service Programs	976,963
Community Service Programs	860,009

Debt Service Funds

Restricted for:

Retirement of Long-Term Debt	1,191,091
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Capital Projects Fund

Restricted for:

Capital Projects	3,899,673
Long-Term Capital Projects	2,517,052

Total Restricted Fund Balance	\$ 10,846,848
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Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by district board action. At June 30, 2020, fund balance was committed as follows:

General Fund

Committed for:

Fiber Optic Network	\$ 224,170
Self-Insurance	4,923,381

Total General Fund Committed Fund Balance	\$ 5,147,551
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**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Equity (Continued)

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2020, fund balance was assigned as follows:

General Fund

Assigned for:

Subsequent Year's Budget	\$ 2,653,505
Software Purchases	38,520
Athletic or PE Facility Upgrades	1,368,576
Land Purchase	1,000,000
Phone System Purchase	65,713
Building Projects	4,570,180
Classroom Furniture Replacement	23,909
Textbook Purchases	100,000
Vehicle Purchases	4,750
Future Mental Health Initiatives	200,000
Staff Diversity Training	144,659
Staff Recruitment	99,231
Marketing Initiative	100,000
CAPP Class Teacher Credentialing	125,000
Elementary Coding Kits	30,000
Musical Instruments	27,916
Total	<u>\$ 10,551,959</u>

Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fiduciary fund net position was as follows:

Fiduciary Fund

Restricted for:

Scholarships	\$ 14,170
Postemployment Benefits	<u>24,320,321</u>
Total Restricted Fiduciary Fund	
Net Position	<u>\$ 24,334,491</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Equity (Continued)

Net Position

The District reports restricted net position at June 30, 2020 as follows:

Governmental Activities

Restricted for:

Programs, Equipment, and Other	\$ 1,402,060
Food Service Programs	995,418
Community Service Programs	860,009
Capital Projects	2,186,590
Long-Term Capital Projects	2,517,052
Retirement of Long-Term Debt	740,091
Net Other Postemployment Benefit Asset	1,960,246
Net Pension Asset	<u>14,027,128</u>
Total Governmental Activities Restricted	
Net Position	24,688,594

Component Unit

Restricted for Donor Intent:

Available for Programs and Scholarships	1,916,799
Permanently Restricted For Scholarships	<u>689,128</u>
Total Component Unit Restricted	
Net Position	<u>2,605,927</u>
 Total Restricted Net Position	 <u>\$ 27,294,521</u>

NOTE 3 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

In addition to the above, the District has established the following risk management programs:

Self-Funded Insurance Program

The District has a self-insured health and dental benefit plan for its employees. The plan administrator, Anthem BCBS and Delta Dental are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30, 2020.

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

As part of the health and dental coverage of the plan, the District purchases stop-loss coverage, which pays claims in excess of \$150,000 per individual and/or 125% of the annual estimated claims as provided by Anthem BCBS. For the year ended June 30, 2020, the claim limit was \$4,500,000. The District has no stop-loss coverage for dental care coverage of the plan.

At June 30, 2020, the District has reported a liability of \$3,217,166 which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. The amounts not reported to the District were determined by the plan administrator. Changes in the claims liability for the years ended June 30, 2020 and 2019 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2020	\$ 3,524,810	\$ 16,663,393	\$ 16,971,037	\$ 3,217,166
2019	2,988,850	17,035,331	16,499,371	3,524,810

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Contingencies

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the 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 or results of operations.

C. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

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

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

D. Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

E. COVID-19 Risks and Uncertainties

During the District's fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2020-2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events have continued to occur subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 29,591,907	\$ 29,591,907	\$ 29,565,128	\$ (26,779)
Other Local Sources	1,145,587	1,493,195	1,744,548	251,353
Interdistrict Sources	2,305,318	2,305,318	2,206,529	(98,789)
State Sources	89,139,938	89,451,554	89,360,170	(91,384)
Federal Sources	3,717,141	3,848,638	3,610,109	(238,529)
Other Sources	296,205	314,508	297,882	(16,626)
Total Revenues	<u>126,196,096</u>	<u>127,005,119</u>	<u>126,784,366</u>	<u>(220,753)</u>
EXPENDITURES				
Instruction:				
Regular Instruction	54,969,748	55,173,964	49,695,803	5,478,161
Vocational Instruction	2,637,186	2,792,237	2,472,282	319,955
Special Education Instruction	-	145	137	8
Other Instruction	4,529,190	4,663,479	4,115,655	547,824
Total Instruction	<u>62,136,124</u>	<u>62,629,825</u>	<u>56,283,877</u>	<u>6,345,948</u>
Support Services:				
Pupil Services	5,185,682	5,516,320	4,833,621	682,699
Instructional Staff Services	3,826,666	4,621,499	3,367,324	1,254,175
General Administration Services	1,819,841	2,044,336	1,788,408	255,928
School Administration Services	7,379,808	8,298,492	7,009,548	1,288,944
Business Services	3,175,352	3,565,685	2,553,298	1,012,387
Operations and Maintenance of Plant	9,706,424	11,514,602	9,442,830	2,071,772
Pupil Transportation Services	2,598,597	2,632,807	1,613,557	1,019,250
Central Services	673,782	904,722	838,826	65,896
Insurance	888,584	892,784	862,276	30,508
Other Support Services	2,020,677	2,334,226	4,190,462	(1,856,236)
Total Support Services	<u>37,275,413</u>	<u>42,325,474</u>	<u>36,500,150</u>	<u>5,825,324</u>
Nonprogram:				
General Tuition Payments	10,178,129	10,284,016	10,142,359	141,657
Adjustments and Refunds	40,000	40,000	27,485	12,515
Voucher Payments	2,555,244	2,555,244	2,506,968	48,276
Total Nonprogram	<u>12,773,373</u>	<u>12,879,260</u>	<u>12,676,812</u>	<u>202,448</u>
Total Expenditures	<u>112,184,910</u>	<u>117,834,559</u>	<u>105,460,839</u>	<u>12,373,720</u>
Excess of Revenues Over Expenditures	14,011,186	9,170,561	21,323,527	12,152,966
OTHER FINANCING USES				
Proceeds from Sale of Capital Assets	532	932	13,170	12,238
Transfers Out	(14,106,890)	(14,107,565)	(14,399,356)	(291,791)
Total Other Financing Sources (Uses)	<u>(14,106,358)</u>	<u>(14,106,633)</u>	<u>(14,386,186)</u>	<u>(279,553)</u>
NET CHANGE IN FUND BALANCE	(95,172)	(4,936,072)	6,937,341	11,873,413
Fund Balance - Beginning of Year	<u>42,349,237</u>	<u>42,349,237</u>	<u>42,349,237</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 42,254,065</u>	<u>\$ 37,413,165</u>	<u>\$ 49,286,578</u>	<u>\$ 11,873,413</u>

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL EDUCATION SPECIAL REVENUE FUND
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interdistrict Sources	\$ -	\$ -	\$ 21,698	\$ 21,698
State Sources	4,508,934	4,508,934	4,460,878	(48,056)
Federal Sources	3,114,300	3,221,393	2,761,234	(460,159)
Total Revenues	<u>7,623,234</u>	<u>7,730,327</u>	<u>7,243,810</u>	<u>(486,517)</u>
EXPENDITURES				
Instruction:				
Special Education Instruction	17,757,356	17,859,732	16,402,883	1,456,849
Other Instruction	260,076	260,076	225,182	34,894
Total Instruction	<u>18,017,432</u>	<u>18,119,808</u>	<u>16,628,065</u>	<u>1,491,743</u>
Support Services:				
Pupil Services	2,369,289	2,383,213	2,240,739	142,474
Instructional Staff Services	391,696	352,114	327,404	24,710
Business Services	34,407	34,407	34,407	-
Operations and Maintenance of Plant	18,082	18,832	16,995	1,837
Pupil Transportation Services	696,110	722,410	464,902	257,508
Central Services	776	1,576	715	861
Other Support Services	81,699	81,699	715,625	(633,926)
Total Support Services	<u>3,592,059</u>	<u>3,594,251</u>	<u>3,800,787</u>	<u>(206,536)</u>
Nonprogram:				
Special Education Tuition Payments	100,633	103,833	103,469	364
Revenue Transits to Others	-	-	52,419	(52,419)
Total Nonprogram	<u>100,633</u>	<u>103,833</u>	<u>155,888</u>	<u>(52,055)</u>
Total Expenditures	<u>21,710,124</u>	<u>21,817,892</u>	<u>20,584,740</u>	<u>1,233,152</u>
Excess of Revenues Over Expenditures	(14,086,890)	(14,087,565)	(13,340,930)	746,635
OTHER FINANCING USES				
Transfers In	14,086,890	14,087,565	13,340,930	(746,635)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
SINGLE-EMPLOYER OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017
Total OPEB Liability:				
Service Cost	\$ 837,223	\$ 837,223	\$ 382,661	\$ 406,258
Interest	701,985	716,083	395,672	401,034
Changes of Benefit Terms	-	-	6,538,851	26,531
Differences Between Expected and Actual Experience	-	-	1,948,413	(870,334)
Changes of Assumptions	734,255	184,529	529,547	(161,540)
Benefit Payments	(1,672,379)	(2,239,952)	(2,223,615)	(1,482,483)
Net Change in Total OPEB Liability	601,084	(502,117)	7,571,529	(1,680,534)
Total OPEB Liability - Beginning	19,294,791	19,796,908	12,225,379	13,905,913
Total OPEB Liability - Ending (a)	<u>\$ 19,895,875</u>	<u>\$ 19,294,791</u>	<u>\$ 19,796,908</u>	<u>\$ 12,225,379</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 2,768,738
Net Investment Income	556,949	440,542	428,733	377,697
Benefit Payments	(1,485,596)	(2,239,952)	(2,223,615)	(1,482,483)
Administrative Expenses	(6,069)	(2,271)	(1,376)	(1,773)
Adjustment	-	-	4,021,954	-
Net Change in Plan Fiduciary Net Position	3,065,284	2,198,319	6,225,696	1,662,179
Plan Fiduciary Net Position - Beginning	21,255,037	19,056,718	12,831,022	11,168,843
Plan Fiduciary Net Position - Ending (b)	<u>\$ 24,320,321</u>	<u>\$ 21,255,037</u>	<u>\$ 19,056,718</u>	<u>\$ 12,831,022</u>
District's Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (4,424,446)</u>	<u>\$ (1,960,246)</u>	<u>\$ 740,190</u>	<u>\$ (605,643)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	122.24%	110.16%	96.26%	104.95%
Covered-Employee Payroll	\$ 65,078,619	\$ 65,078,619	\$ 65,078,619	\$ 66,702,430
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	-6.80%	-3.01%	1.14%	-0.91%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end. Amounts for prior years were not available.

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SINGLE-EMPLOYER OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 1,636,566	\$ 1,848,868	\$ 1,848,868	\$ 2,509,762
Contributions in Relation to the ADC	4,000,000	4,000,000	2,768,738	2,825,131
Contribution Deficiency (Excess)	<u>\$ (2,363,434)</u>	<u>\$ (2,151,132)</u>	<u>\$ (919,870)</u>	<u>\$ (315,369)</u>
 Covered-Employee Payroll	 \$ 65,078,619	 \$ 65,078,619	 \$ 66,702,430	 \$ 53,022,605
 Contributions as a Percentage of Covered- Employee Payroll	 6.15%	 6.15%	 4.15%	 5.33%

Key Methods and Assumption Used to Calculate ADC

	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	Normal	Normal	Normal	Normal
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
	1 Year	2 Year	2 Year	2 Year
Amortization Method	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Discount Rate	3.50%	3.75%	3.50%	5.50%
Inflation	2.50%	2.50%	2.50%	3.00%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Plan Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.47588675%	\$ (11,689,081)	\$ 64,314,368	18.17%	102.74%
12/31/15	0.46905920%	7,622,121	66,454,191	11.47%	98.20%
12/31/16	0.46002190%	3,791,679	65,445,050	5.79%	99.12%
12/31/17	0.45540479%	(13,521,508)	66,254,998	20.41%	102.93%
12/31/18	0.44474161%	15,822,512	67,026,153	23.61%	96.45%
12/31/19	0.43502303%	(14,027,128)	67,783,841	-20.69%	102.96%

SCHEDULE OF CONTRIBUTIONS

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 4,489,932	\$ 4,489,932	\$ -	\$ 65,292,652	6.88%
6/30/16	4,399,365	4,399,365	-	65,864,616	6.68%
6/30/17	4,473,026	4,473,026	-	66,536,578	6.72%
6/30/18	4,510,333	4,510,333	-	66,938,532	6.74%
6/30/19	4,438,975	4,438,975	-	67,185,686	6.61%
6/30/20	4,439,848	4,439,848	-	67,783,841	6.55%

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS***

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	1.16573900%	\$ 3,507,219	\$ 66,254,998	5.29%	44.81%
12/31/18	1.17173100%	3,023,461	67,783,841	4.46%	48.69%
12/31/19	1.15928400%	4,936,457	52,694,000	9.37%	37.58%

See accompanying Notes to Required Supplementary Information.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The District maintains the following two OPEB plans:

Single-Employer Defined Postemployment Benefit Plan

The Plan's benefit terms have changed since the prior valuation, therefore a change in benefit terms was calculated causing an increase in the Total OPEB Liability. Specifically, the District has modified the benefits provided to Teachers retiring after June 30, 2020 to be HRA contributions upon retirement should they not receive the maximum 20 years of annual HRA contributions during active years of services. In addition, the District added an OPEB benefit for future retiring Support Staff, similar to that of Teachers retiring after June 30, 2020.

Local Retiree Life Insurance Fund (LRLIF)

There were no changes of benefit terms or assumptions for any participating employer in the LRLIF.

Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

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

NOTE 2 WISCONSIN RETIREMENT SYSTEM

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

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by board of education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements.

- Based upon requests from District staff, District administration recommends budget proposals to the board of education.
- The board of education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the board of education may make alterations to the proposed budget.
- Once the board of education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire board of education.
- Appropriations lapse at year-end unless authorized as a carryover by the board of education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund in accordance with requirements from the Wisconsin Department of Public Instruction. In accordance with generally accepted accounting principles, these funds are included as part of the general fund in these financial statements. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a U.S. GAAP General Fund basis is summarized below:

	General	Special Education Fund
REVENUES		
Actual Amounts (Budgetary Basis)	\$ 126,784,366	\$ 7,243,810
Reclassification of Special Education Fund	7,243,810	(7,243,810)
Total Revenues	134,028,176	-
EXPENDITURES		
Actual Amounts (Budgetary Basis)	105,460,839	20,584,740
Reclassification of Special Education Fund	20,584,740	(20,584,740)
Total Expenditures	126,045,579	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		
Actual Amounts (Budgetary Basis)	21,323,527	(13,340,930)
Reclassification of Special Education Fund	(13,340,930)	13,340,930
Excess of Revenues Over (Under) Expenditures	7,982,597	-
OTHER FINANCING SOURCES (USES)		
Actual Amounts (Budgetary Basis)	(14,386,186)	13,340,930
Reclassification of Special Education Fund	13,340,930	(13,340,930)
Total Other Financing Sources (Uses)	(1,045,256)	-
NET CHANGE IN FUND BALANCE		
Actual Amounts (Budgetary Basis)	6,937,341	-
Fund Balance - Beginning of Year	42,349,237	-
FUND BALANCE - END OF YEAR	\$ 49,286,578	\$ -

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Excess of Expenditure over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2020 as follows:

<u>Funds</u>	<u>Excess Expenditures</u>
General Fund	
Support Services:	
Other Support Services	\$ 1,856,236
Special Education Special Revenue Fund	
Support Services:	
Other Support Services	633,926
Nonprogram:	
Revenue Transit to Others	52,419

The amounts were funded using positive variances in other accounts of the general fund.

SUPPLEMENTARY INFORMATION

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue		
	Donations	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 1,402,543	\$ 987,072	\$ 951,482
Receivables:			
Accounts	-	57,307	13,070
Due from Other Funds	-	-	-
Due from Other Governments	-	209,489	-
Inventories and Prepaid Items	-	18,455	-
Total Assets	<u>\$ 1,402,543</u>	<u>\$ 1,272,323</u>	<u>\$ 964,552</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 54,915	\$ 31,539
Accrued and Other Current Liabilities	483	16,804	33,987
Due to Other Funds	-	46,786	25,452
Unearned Revenues	-	128,800	2,500
Deposits Payable	-	29,600	11,065
Total Liabilities	<u>483</u>	<u>276,905</u>	<u>104,543</u>
DEFERRED INFLOWS OF RESOURCES			
Other Receivables	-	-	-
FUND BALANCES			
Nonspendable	-	18,455	-
Restricted	1,402,060	976,963	860,009
Total Fund Balances	<u>1,402,060</u>	<u>995,418</u>	<u>860,009</u>
Total Liabilities and Fund Balances	<u>\$ 1,402,543</u>	<u>\$ 1,272,323</u>	<u>\$ 964,552</u>

Debt Service		Capital Projects		Total
Referendum Debt Service	Nonreferendum Debt Service	Capital Projects	Long-Term Capital Projects	Nonmajor Governmental Funds
\$ 773,681	\$ 417,410	\$ 4,709,231	\$ 1,517,052	\$ 10,758,471
-	-	137,200	-	207,577
-	-	-	1,000,000	1,000,000
-	-	-	-	209,489
-	-	-	-	18,455
<u>\$ 773,681</u>	<u>\$ 417,410</u>	<u>\$ 4,846,431</u>	<u>\$ 2,517,052</u>	<u>\$ 12,193,992</u>
\$ -	\$ -	\$ 370,756	\$ -	\$ 457,210
-	-	-	-	51,274
-	-	438,802	-	511,040
-	-	-	-	131,300
-	-	-	-	40,665
-	-	809,558	-	1,191,489
-	-	137,200	-	137,200
-	-	-	-	18,455
<u>773,681</u>	<u>417,410</u>	<u>3,899,673</u>	<u>2,517,052</u>	<u>10,846,848</u>
<u>773,681</u>	<u>417,410</u>	<u>3,899,673</u>	<u>2,517,052</u>	<u>10,865,303</u>
<u>\$ 773,681</u>	<u>\$ 417,410</u>	<u>\$ 4,846,431</u>	<u>\$ 2,517,052</u>	<u>\$ 12,193,992</u>

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	Special Revenue		
	Donations	Food Service	Community Service
REVENUES			
Property Taxes	\$ -	\$ -	\$ 1,356,528
Other Local Sources	948,078	806,676	612,685
State Sources	-	91,356	-
Federal Sources	-	3,585,557	-
Other Sources	-	-	205,086
Total Revenues	<u>948,078</u>	<u>4,483,589</u>	<u>2,174,299</u>
EXPENDITURES			
Instruction:			
Regular Instruction	164,834	-	-
Vocational Instruction	50,332	-	-
Other Instruction	635,258	-	-
Total Instruction	<u>850,424</u>	<u>-</u>	<u>-</u>
Support Services:			
Pupil Services	95,403	-	-
Instructional Staff Services	13,306	-	-
School Administration Services	26,340	-	-
Business Services	-	-	104
Operations and Maintenance of Plant	44,885	26,634	357,821
Pupil Transportation Services	9,084	-	10,468
Food Services	1,000	4,356,943	-
Central Services	580	4,400	-
Insurance	-	43,884	12,498
Other Support Services	-	68,397	23,479
Total Support Services	<u>190,598</u>	<u>4,500,258</u>	<u>404,370</u>
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Community Service	100	-	1,721,980
Nonprogram:			
Adjustments and Refunds	-	58,426	-
Total Nonprogram	<u>-</u>	<u>58,426</u>	<u>-</u>
Total Expenditures	<u>1,041,122</u>	<u>4,558,684</u>	<u>2,126,350</u>
Excess of Revenues Over (Under) Expenditures	(93,044)	(75,095)	47,949
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	-	14,329	-
Transfers In	-	58,426	-
Total Other Financing Sources	<u>-</u>	<u>72,755</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(93,044)</u>	<u>(2,340)</u>	<u>47,949</u>
Fund Balances - Beginning of Year, as Originally Reported	757,213	997,758	812,060
Cumulative Effect of Change in Accounting Principle	737,891	-	-
Fund Balances - Beginning of Year, Restated	<u>1,495,104</u>	<u>997,758</u>	<u>812,060</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,402,060</u>	<u>\$ 995,418</u>	<u>\$ 860,009</u>

Debt Service		Capital Projects		Total Nonmajor Governmental Funds
Referendum Debt Service	Nonreferendum Debt Service	Capital Projects	Long-Term Capital Projects	
\$ 3,228,563	\$ 1,615,418	\$ 1,250,001	\$ -	\$ 7,450,510
5,659	-	342,836	12,033	2,727,967
-	-	-	-	91,356
-	-	-	-	3,585,557
-	44,145	-	-	249,231
<u>3,234,222</u>	<u>1,659,563</u>	<u>1,592,837</u>	<u>12,033</u>	<u>14,104,621</u>
-	-	-	-	164,834
-	-	-	-	50,332
-	-	-	-	635,258
-	-	-	-	850,424
-	-	-	-	95,403
-	-	-	-	13,306
-	-	-	-	26,340
-	-	-	-	104
-	-	3,007,282	-	3,436,622
-	-	-	-	19,552
-	-	-	-	4,357,943
-	-	-	-	4,980
-	-	-	-	56,382
-	-	-	-	91,876
-	-	3,007,282	-	8,102,508
2,065,000	1,583,000	-	-	3,648,000
1,184,212	312,008	-	-	1,496,220
<u>3,249,212</u>	<u>1,895,008</u>	-	-	<u>5,144,220</u>
-	-	-	-	1,722,080
-	-	-	-	58,426
-	-	-	-	58,426
<u>3,249,212</u>	<u>1,895,008</u>	<u>3,007,282</u>	-	<u>15,877,658</u>
(14,990)	(235,445)	(1,414,445)	12,033	(1,773,037)
-	-	-	-	14,329
-	-	-	1,000,000	1,058,426
-	-	-	1,000,000	1,072,755
<u>(14,990)</u>	<u>(235,445)</u>	<u>(1,414,445)</u>	<u>1,012,033</u>	<u>(700,282)</u>
788,671	652,855	5,314,118	1,505,019	10,827,694
-	-	-	-	737,891
<u>788,671</u>	<u>652,855</u>	<u>5,314,118</u>	<u>1,505,019</u>	<u>11,565,585</u>
<u>\$ 773,681</u>	<u>\$ 417,410</u>	<u>\$ 3,899,673</u>	<u>\$ 2,517,052</u>	<u>\$ 10,865,303</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



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

Board of Education
Sheboygan Area School District
Sheboygan, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Sheboygan Area School District, Sheboygan, Wisconsin (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2020. The financial statements of the Sheboygan Public Education Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Sheboygan Public Education Foundation, Inc.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying the schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Sheboygan Area School District's Response to Finding

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

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
December 11, 2020

FEDERAL AND STATE AWARDS



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

Board of Education
Sheboygan Area School District
Sheboygan, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Sheboygan Area School District, Sheboygan, Wisconsin's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2020. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
December 11, 2020

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
School Breakfast Program	10.553	WI DPI	2019-595271-SB-546	\$ (39,039)	\$ 669,289	\$ -	\$ 630,250	\$ -
National School Lunch Program	10.555	WI DPI	2019-595271-NSL-547	(92,944)	1,685,666	-	1,592,722	-
National School Lunch Program	10.555	WI DPI	2018-595271-NSL-Snacks-566	(221)	221	-	-	-
National School Lunch Program	10.555	WI DPI	2019-595271-NSL-Snacks-566	-	6,439	-	6,439	-
Donated Commodities 18-19	10.555	WI DPI	Unknown	-	358,418	-	358,418	-
Total National School Lunch Program				<u>(93,165)</u>	<u>2,050,744</u>	<u>-</u>	<u>1,957,579</u>	<u>-</u>
Summer Food Service Program for Children	10.559	WI DPI	2018-595271-SFSP-586	(32,564)	32,564	-	-	-
Summer Food Service Program for Children	10.559	WI DPI	2019-595271-SFSP-586	-	617,908	181,483	799,391	-
Total Child Nutrition Cluster				<u>(164,768)</u>	<u>3,370,505</u>	<u>181,483</u>	<u>3,387,220</u>	<u>-</u>
Child and Adult Care Food Program	10.558	WI DPI	2018-595271-CCI-551	(1,709)	106,950	-	105,241	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	Unknown	-	65,091	-	65,091	-
Total U.S. Department of Agriculture				<u>(166,477)</u>	<u>3,542,546</u>	<u>181,483</u>	<u>3,557,552</u>	<u>-</u>

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-595271-Title I-141	\$ (832,611)	\$ 832,611	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-595271-TIA-141	-	1,073,341	565,495	1,638,836	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-595271-TI-Delinquent-140	(24,801)	24,801	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-595271-TI-Delinquent-140	-	36,474	19,661	56,135	-
Total Title I Grants to Local Educational Agencies				<u>(857,412)</u>	<u>1,967,227</u>	<u>585,156</u>	<u>1,694,971</u>	<u>-</u>
Special Education Cluster (IDEA):								
Special Education Grants to States	84.027	WI DPI	2018-595271-IDEA-341	(728,912)	728,912	-	-	-
Special Education Grants to States	84.027	WI DPI	2019-595271-IDEA-FT-341	-	1,570,669	644,449	2,215,118	-
Special Education Grants to States	84.027	WI DPI	2019-595271-IDEA-FT-341	(115,287)	115,287	-	-	-
Special Education Grants to States	84.027	WI DPI	Unknown	-	159,777	107,055	266,832	-
Special Education Preschool Grants	84.173	WI DPI	2018-595271-Pre-S-347	(23,397)	23,397	-	-	-
Special Education Preschool Grants	84.173	WI DPI	2019-595271-IDEA-PS-347	-	47,971	12,102	60,073	-
Total Special Education Cluster (IDEA)				<u>(867,596)</u>	<u>2,646,013</u>	<u>763,606</u>	<u>2,542,023</u>	<u>-</u>

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF EDUCATION (CONTINUED)								
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-595271-CP-CTE-400	\$ (33,764)	\$ 33,764	\$ -	\$ -	\$ -
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2019-595271-CTE-400	-	76,416	15,099	91,515	-
Total Career and Technical Education - Basic Grants to States				<u>(33,764)</u>	<u>110,180</u>	<u>15,099</u>	<u>91,515</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	WI DPI	2018-595271-Homeless-335	(12,450)	12,450	-	-	-
Education for Homeless Children and Youth	84.196	WI DPI	2019-595271-Homeless-335	-	32,172	22,957	55,129	-
Total Education for Homeless Children and Youth				<u>(12,450)</u>	<u>44,622</u>	<u>22,957</u>	<u>55,129</u>	<u>-</u>
Fund for the Improvement of Education	84.215	Direct Program	N/A	(35,186)	38,141	-	2,955	-
Wisconsin Charter School Program	84.282	WI DPI	Unknown		55,494	20,680	76,174	
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-595271-CLC-367	(140,580)	140,580	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2019-595271-21st Century CLC-367	-	227,157	74,151	301,308	-
Total Twenty-First Century Community Learning Centers				<u>(175,766)</u>	<u>461,372</u>	<u>94,831</u>	<u>380,437</u>	<u>-</u>
English Language Acquisition State Grants	84.365	WI DPI	2018-595271-Title III A-391	(94,068)	94,068	-	-	-
English Language Acquisition State Grants	84.365	WI DPI	2019-595271-TIIIA-391	-	112,366	70,901	183,267	-
Total English Language Acquisition State Grants				<u>(94,068)</u>	<u>206,434</u>	<u>70,901</u>	<u>183,267</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	WI DPI	2018-595271-Title II-365	(111,246)	111,246	-	-	-
Improving Teacher Quality State Grants	84.367	WI DPI	2019-595271-TTIIA-365	-	136,028	47,705	183,733	-
Total Improving Teach Quality State Grants				<u>(111,246)</u>	<u>247,274</u>	<u>47,705</u>	<u>183,733</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	WI DPI	2019-595271-TIVA-381	(53,960)	119,955	83,673	149,668	-
ESSER (CARES)	84.425D	WI DPI	Unknown	-	-	136,525	136,525	-
Emergency Impact Aid	84.938	WI DPI	Unknown	-	1,818	-	1,818	-
Total				<u>(53,960)</u>	<u>121,773</u>	<u>220,198</u>	<u>288,011</u>	<u>-</u>
Total U.S. Department of Education				<u>(2,206,262)</u>	<u>5,804,895</u>	<u>1,820,453</u>	<u>5,419,086</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Refugee School Impact	93.566	WI DHS	2018-595271-Refugee-533	(10,408)	17,573	990	8,155	-
Medicaid Cluster:								
Medical Assistance Program	93.778	WI DHS	44206400	(209,380)	1,177,340	4,147	972,107	-
Total U.S. Department of Health and Human Services				<u>(219,788)</u>	<u>1,194,913</u>	<u>5,137</u>	<u>980,262</u>	<u>-</u>
Total Federal Awards				<u>\$ (2,592,527)</u>	<u>\$ 10,542,354</u>	<u>\$ 2,007,073</u>	<u>\$ 9,956,900</u>	<u>\$ -</u>
RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS								
Federal Sources							<u>\$ 9,956,900</u>	

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	595271-100	\$ -	\$ 4,393,448	\$ -	\$ 4,393,448	\$ -
State School Lunch Aid	255.102	Direct Program	595271-107	-	46,422	-	46,422	-
Common School Fund Library Aid	255.103	Direct Program	595271-104	-	488,822	-	488,822	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	595271-111	-	394,077	-	394,077	-
General Transportation Aid	255.107	Direct Program	595271-102	-	95,417	-	95,417	-
Equalization Aids	255.201	Direct Program	595271-116	(1,285,272)	77,274,039	1,274,362	77,263,129	-
High Cost Special Education Aid	255.210	Direct Program	595271-119	-	20,430	-	20,430	-
School Mental Health Program	255.227	Direct Program	595271-176	-	57,205	-	57,205	-
Personal Electronic Computing Device	255.296	Direct Program	595271-175	-	34,005	-	34,005	-
Peer Review and Mentoring	255.301	Direct Program	595271-141	-	48,655	7,654	56,309	-
Alcohol and Other Drug Abuse	255.306	Direct Program	595271-143	(15,481)	21,442	1,607	7,568	-
State School Breakfast Aid	255.344	Direct Program	595271-108	-	44,934	-	44,934	-
Tuition Payments by State	255.401	Direct Program	595271-157	-	78,069	-	78,069	-
Early College Credit Grant	255.445	Direct Program	595271-178	(5,150)	5,150	6,784	6,784	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	595271-160	-	1,571,332	-	1,571,332	-
Aid for High Poverty School District	255.926	Direct Program	595271-154	-	689,412	-	689,412	-
Educator Effective Evaluation System	255.940	Direct Program	595271-154	(2,320)	70,880	-	68,560	-
Per Pupil Aid	255.945	Direct Program	595271-113	-	7,516,460	-	7,516,460	-
Career and Technical Education Incentive Grants	255.950	Direct Program	595271-152	-	57,752	-	57,752	-
Assessments of Reading Readiness	255.956	Direct Program	595271-166	-	49,697	-	49,697	-
Robotics Lead Partnership Grant	255.959	Direct Program	595271-167	-	1,509	-	1,509	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	595271-168	-	47,000	-	47,000	-
Total Wisconsin Department of Public Instruction				<u>(1,308,223)</u>	<u>93,006,157</u>	<u>1,290,407</u>	<u>92,988,341</u>	<u>-</u>
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Initiative	455.206	Direct Program	N/A	<u>(174,660)</u>	<u>608,090</u>	<u>19,770</u>	<u>453,200</u>	<u>-</u>
Total State Programs				<u>\$ (1,482,883)</u>	<u>\$ 93,614,247</u>	<u>\$ 1,310,177</u>	<u>\$ 93,441,541</u>	<u>\$ -</u>

RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

State Sources	\$ 93,912,404
Less: State Sources not Considered State Financial Assistance:	
State Tax Computer Aid	(241,928)
State Personal Property Aid	(214,144)
Payment in Lieu of Taxes and Other Revenues	(14,791)
Total State Awards	<u>\$ 93,441,541</u>

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the Sheboygan Area School District are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2020 fund financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2019 – 2020 eligible costs under the State Special Education Program as reported by the District are \$17,218,739. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 5 OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal – U.S. Department of Education
State – Wisconsin Department of Public Instruction

NOTE 6 PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS – Wisconsin Department of Health Services
WI DPI – Wisconsin Department of Public Instruction

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

10.553
10.555
10.559

Name of Federal Program or Cluster

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children

93.778

Medicaid Cluster
Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results (Continued)

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

State Awards

4. Internal control over major state programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
5. Type of auditors’ report issued on compliance for major state programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? _____ yes x no

Identification of Major State Programs

CFDA Number(s)	Name of State Program or Cluster
255.107	General Transportation Aid
255.201	Equalization Aids
255.926	Aid for High Poverty School District
255.945	Per Pupil Aid

Dollar threshold used to distinguish between Type A and Type B programs:

\$250,000

Auditee qualified as low-risk auditee? x yes _____ no

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001

**Control Deficiencies
Preparation of Annual Financial Report
Repeat Finding 2019-001**

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria or specific requirement: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.

Context: The audit firm has developed reporting templates as a convenience to our client.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Recommendation: We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.


Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**SHEBOYGAN AREA SCHOOL DISTRICT
SHEBOYGAN, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal and State Programs

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2020.

Section IV – Other Issues

- | | |
|--|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material non-compliance, nonmaterial noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| Department of Health Services | No |
| Department of Public Instruction | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | 
Bryan Grunewald, CPA |
| 5. Date of report | December 11, 2020 |