

APPLETON AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**APPLETON AREA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Education
Appleton Area School District
Appleton, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 3.E., during 2021, the District adopted new accounting guidance, GASB Statement 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. 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, the budgetary comparison information, and the schedules relating to pensions and other postemployment benefits listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

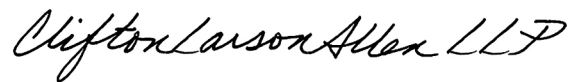
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal 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, are also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The management of the Appleton Area School District offers readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. Readers should consider the information presented in the Management Discussion and Analysis in conjunction with the basic financial statements and the notes to the financial statements, which follow this narrative.

Financial Highlights

- Due to a significant number of students learning virtual during the first semester of the 2020-2021 school year, savings were accrued in the following areas; transportation, utilities, substitute staffing, and co-curricular activities. In addition, due to challenges in filling many teaching and support positions, savings were accrued in staffing.
- Due to our response to the pandemic dominating the daily work of the district, and due to this daily work qualifying for ESSER reimbursement, the district accrued savings in the following areas; capital projects, facilities maintenance, technology purchases, school level supplies and equipment. Much of the savings from 2020-2021 will be expended during the 2021-2022 school year.
- A change in health insurance resulted in a saving of over \$1 million. The funds saved were directed to compensation increases for all staff members.
- Fund Balance in the general fund increased by \$7,726,616.

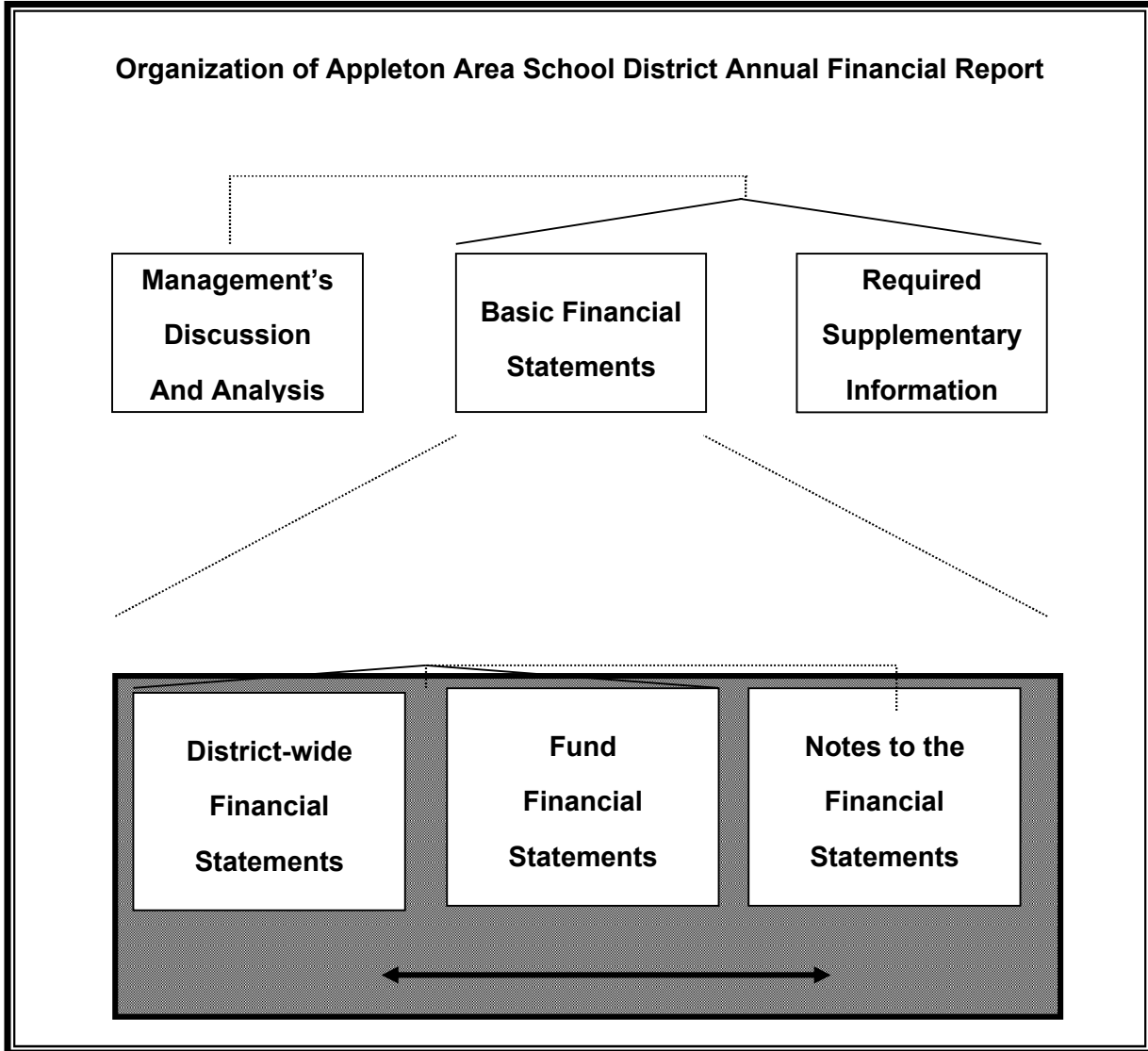
Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The basic financial statements include two types of statements that present different financial perspectives of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The following chart shows how the parts of this annual report are arranged and relate to one another.

APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021



**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the related cash is received or paid.

- The district-wide statements report the district's net position and how it has changed. Governmental activities are financed mostly with property taxes and state formula aid. The net position, which is the difference between district assets and deferred outflows of resources compared to liabilities and deferred inflows, is one way to measure the districts' financial position.
- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or declining, respectively.
- To assess the districts overall financial position, you also need to consider additional nonfinancial factors such as changes in the property tax base and condition of school district facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds, not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The district has two kinds of funds:

Governmental funds: Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Major Features of the District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/ 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 short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Out flow Information	All revenues and expenses during 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 is due and payable	ALL ADDITIONS AND DEDUCTIONS DURING THE YEAR, REGARDLESS OF WHEN CASH IS RECEIVED OR PAID

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

**Figure A-2
Changes in Net Position from Operating Results**

	2021 Governmental Activities	2020 Governmental Activities
	<u> </u>	<u> </u>
Revenues		
Program Revenues		
Charges for Services	\$ 16,869,012	\$ 15,229,269
Operating Grants and Contributions	31,804,432	25,231,409
General Revenues		
Property Taxes	71,741,815	69,810,496
State Formula Aid	106,956,342	106,585,938
Other	3,508,300	2,355,711
Total Revenues	<u>230,879,901</u>	<u>219,212,823</u>
 Expenses		
Instruction	112,388,879	112,598,368
Support Services	69,218,694	61,779,997
Community Services	2,323,076	2,031,635
Interest On Debt	434,453	1,238,391
Nonprogram	12,459,553	10,023,509
Depreciation Unallocated	6,159,766	5,912,872
Total Expenses	<u>202,984,421</u>	<u>193,584,772</u>
 Increase (Decrease) in Net Position	<u>\$ 27,895,480</u>	<u>\$ 25,628,051</u>

Total revenues for 2020-2021 were \$230,879,901, an increase of \$11,667,078, primarily due to an increase in state aids, an increase in student open enrollment into our district to attend our virtual schools, and ESSER I and ESSER II grant funding. Total cost of programs and services of \$202,984,421 was an increase of \$9,399,649, primarily due to cost associated with our response to the COVID pandemic.

The District's expenses are predominantly related to instructing, caring for (pupil services), transporting students, and building maintenance. The district's administrative, transportation, facilities operations and business activities accounted for less than 25% of total costs.

The change in net position over the past year was an increase in net position of \$27,895,480. The overall increase resulted from the sum of the increase in net position (chart above).

Governmental Activities

The recent good health of the district's finances can be credited to expenditure restraint, and to a fairly stable economy and innovative management changes:

- Limiting staffing increases saves on both salary and benefit costs.
- The cost of all governmental activities this year was \$202,984,421.

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

- The users of the district's programs financed some of the cost. (8.3%).
- Certain programs were subsidized with grants and contributions from the federal and state governments (15.6%).
- The remaining portion of governmental activities was financed with \$71,741,815 in property taxes and \$106,956,342 of unrestricted state aid based on the statewide equalization aid formula.

Financial Analysis of the District's Funds

The strong financial status of the district as a whole is reflected in its general fund balance of \$50,744,886 which is included in the total fund balance of all governmental funds of \$68,542,393.

General Fund Budgetary Highlights

In addition to savings due to COVID, over the course of the year the district revised the annual operating budget a number of times. These budget amendments fall into three categories:

- New Grant Revenues and Expenditures
- Site Budget Transfers
- Operating Transfers

The result of these revisions generally was an increase of \$706,950 in the budgeted net change in fund balance. Actual results were substantially better than budget.

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Capital Asset and Debt Administration

Capital Assets. By the end of the 2020-2021 fiscal year, the district had invested in a broad range of capital assets including land, buildings, athletic facilities, computer and audio-visual equipment, and other instructional or support equipment. (More detailed information about capital assets can be found in Note 2.B to the financial statements.) Total depreciation expense for the year for governmental activities was \$6,159,766.

**Figure A-3
Capital Assets**

	2021 Governmental Activities	2020 Governmental Activities
Land	\$ 7,616,062	\$ 7,593,005
Buildings and Improvements	154,173,735	152,737,693
Machinery and Equipment	13,421,158	13,523,897
Accumulated Depreciation	<u>(87,932,672)</u>	<u>(82,533,714)</u>
Total	<u>\$ 87,278,283</u>	<u>\$ 91,320,881</u>

Long-Term Obligations

At year-end, the District had \$15,196,000 in general obligation bonds and notes as well as \$1,667,295 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the District's long-term liabilities is presented in Note 2.E to the financial statements.)

**Figure A-4
Outstanding Long-Term Obligations**

	2021 Total District	2020 Total District
General Obligation Debt	\$ 15,196,000	\$ 22,760,000
Other	1,667,295	2,873,424
Total	<u>\$ 16,863,295</u>	<u>\$ 25,633,424</u>

Contacting the District's Financial Management

The financial report is designed to provide the District's 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 the Business Office of the Appleton Area School District at 131 E. Washington Street, Suite 1A, Appleton, WI or by calling (920) 832-6128.

BASIC FINANCIAL STATEMENTS

**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 64,517,674
Receivables:	
Taxes	14,542,645
Accounts	147,470
Due from Other Governments	10,933,146
Inventories and Prepaid Items	709,116
Net Pension Asset	38,028,869
Capital Assets:	
Nondepreciable	8,155,888
Depreciable, Net	79,122,395
Total Assets	<u>216,157,203</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Advance Refunding	622,021
Pension Related Amounts	59,394,810
Other Postemployment Related Amounts	6,446,870
Total Deferred Outflows of Resources	<u>66,463,701</u>
LIABILITIES	
Accounts Payable	2,564,358
Accrued and Other Current Liabilities	19,415,732
Accrued Interest Payable	198,063
Unearned Revenues	1,275
Deposits Payable	193,425
Dental Claims Payable	132,773
Long-Term Obligations:	
Due in One Year	3,588,390
Due in More Than One Year	13,274,905
Due in One Year - Other Postemployment Benefits Liability	2,956,621
Due in More than One Year - Other Postemployment Benefits Liability	13,089,263
Total Liabilities	<u>55,414,805</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Amounts	83,564,156
Other Postemployment Related Amounts	2,759,854
Total Deferred Inflows of Resources	<u>86,324,010</u>
NET POSITION	
Net Investment in Capital Assets	72,572,244
Restricted:	
Donations	4,207,003
Food Service	3,471,205
Community Service	611,131
Debt Service	3,658,631
Capital Projects	5,783,534
Net Pension Benefits	38,028,869
Unrestricted	12,549,472
Total Net Position	<u>\$ 140,882,089</u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 112,388,879	\$ 16,784,946	\$ 16,796,987	\$ (78,806,946)
Support Services	69,218,694	81,292	13,436,561	(55,700,841)
Community Services	2,323,076	953	-	(2,322,123)
Nonprogram	12,459,553	1,821	1,570,884	(10,886,848)
Interest and Fiscal Charges	434,453	-	-	(434,453)
Depreciation - Unallocated	6,159,766	-	-	(6,159,766)
Total Governmental Activities	<u>\$ 202,984,421</u>	<u>\$ 16,869,012</u>	<u>\$ 31,804,432</u>	<u>(154,310,977)</u>
GENERAL REVENUES				
Property Taxes				71,731,137
Other Taxes				10,678
State and Federal Aids Not Restricted to Specific Functions				106,956,342
Interest and Investment Earnings				42,647
Gain on Disposal of Capital Assets				5,914
Gifts and Donations				1,697,414
Miscellaneous				1,762,325
Total General Revenues				<u>182,206,457</u>
CHANGE IN NET POSITION				<u>27,895,480</u>
Net Position - July 1, as Originally Stated				110,335,008
Cumulative Effect of Change in Accounting Principle				<u>2,651,601</u>
Net Position - July 1, as Restated				<u>112,986,609</u>
NET POSITION - JUNE 30				<u>\$ 140,882,089</u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	General	Other Governmental Funds	Total
Cash and Investments	\$ 57,056,450	\$ 7,461,224	\$ 64,517,674
Receivables:			
Taxes	14,542,645	-	14,542,645
Accounts	147,470	-	147,470
Due from Other Funds	-	10,884,005	10,884,005
Due from Other Governments	10,146,651	786,495	10,933,146
Inventories and Prepaid Items	709,116	-	709,116
	\$ 82,602,332	\$ 19,131,724	\$ 101,734,056
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,495,130	\$ 1,069,229	\$ 2,564,359
Accrued and Other Current Liabilities	19,398,935	16,797	19,415,732
Accrued Interest Payable	94	-	94
Due to Other Funds	10,829,239	54,766	10,884,005
Unearned Revenues	1,275	-	1,275
Deposits Payable	-	193,425	193,425
Dental Claims Payable	132,773	-	132,773
Total Liabilities	31,857,446	1,334,217	33,191,663
FUND BALANCES			
Nonspendable	709,116	34,345	743,461
Restricted	-	17,763,162	17,763,162
Assigned	35,722,801	-	35,722,801
Unassigned	14,312,969	-	14,312,969
Total Fund Balances	50,744,886	17,797,507	68,542,393
	\$ 82,602,332	\$ 19,131,724	\$ 101,734,056

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances as Shown on Previous Page \$ 68,542,393

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. 87,278,283

Long-term assets are not considered available; therefore, are not reported in the funds.

 Net Pension Asset 38,028,869

Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.

Loss on Advance Refunding	622,021
Deferred Outflows Related to Pensions	59,394,810
Deferred Inflows Related to Pensions	(83,564,156)
Deferred Outflows Related to Other Postemployment Benefits	6,446,870
Deferred Inflows Related to Other Postemployment Benefits	(2,759,854)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and Notes Payable	(15,196,000)
Compensated Absences	(1,667,295)
Other Postemployment Benefits Liability	(16,045,884)
Accrued Interest on Long-Term Obligations	(197,968)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see Page 12)	\$ 140,882,089
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**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General	Other Governmental Funds	Total
REVENUES			
Property Taxes	\$ 58,246,608	\$ 13,495,207	\$ 71,741,815
Other Local Sources	956,866	1,230,119	2,186,985
Interdistrict Sources	16,286,363	-	16,286,363
Intermediate Sources	33,350	-	33,350
State Sources	118,149,767	105,166	118,254,933
Federal Sources	15,979,133	4,292,446	20,271,579
Other Sources	516,440	1,582,522	2,098,962
Total Revenues	<u>210,168,527</u>	<u>20,705,460</u>	<u>230,873,987</u>
EXPENDITURES			
Instruction:			
Regular Instruction	75,178,403	713,962	75,892,365
Vocational Instruction	3,807,654	14,411	3,822,065
Special Education Instruction	28,168,537	-	28,168,537
Other Instruction	12,426,841	328,051	12,754,892
Total Instruction	<u>119,581,435</u>	<u>1,056,424</u>	<u>120,637,859</u>
Support Services:			
Pupil Services	11,907,369	40,596	11,947,965
Instructional Staff Services	10,928,277	29,554	10,957,831
General Administration Services	1,625,942	71,389	1,697,331
School Administration Services	9,662,084	1,051,821	10,713,905
Business Services	546,933	205,647	752,580
Operations and Maintenance of Plant	16,942,360	2,497,222	19,439,582
Pupil Transportation Services	4,671,279	3,213	4,674,492
Food Services	-	4,102,994	4,102,994
Central Services	2,722,130	82,944	2,805,074
Insurance	1,358,577	-	1,358,577
Other Support Services	8,482,397	-	8,482,397
Total Support Services	<u>68,847,348</u>	<u>8,085,380</u>	<u>76,932,728</u>
Debt Service:			
Principal	-	7,564,000	7,564,000
Interest and Fiscal Charges	-	1,742,795	1,742,795
Total Debt Service	<u>-</u>	<u>9,306,795</u>	<u>9,306,795</u>
Community Service	-	1,382,155	1,382,155
Nonprogram:			
General Tuition Payments	8,364,433	-	8,364,433
Special Education Tuition Payments	254,216	-	254,216
Adjustments and Refunds	80,362	-	80,362
Voucher Payments	3,760,542	-	3,760,542
Total Nonprogram	<u>12,459,553</u>	<u>-</u>	<u>12,459,553</u>
Total Expenditures	<u>200,888,336</u>	<u>19,830,754</u>	<u>220,719,090</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,280,191	874,706	10,154,897
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	12,221,000	12,221,000
Payment to Current Bondholder	-	(4,585,000)	(4,585,000)
Payment to Advance Refunding Escrow Agent	-	(7,636,000)	(7,636,000)
Proceeds from Sale of Capital Assets	5,914	-	5,914
Transfers In	-	1,559,489	1,559,489
Transfers Out	(1,559,489)	-	(1,559,489)
Total Other Financing Sources (Uses)	<u>(1,553,575)</u>	<u>1,559,489</u>	<u>5,914</u>
NET CHANGES IN FUND BALANCES	<u>7,726,616</u>	<u>2,434,195</u>	<u>10,160,811</u>
Fund Balances - July 1, as Originally Stated	43,018,270	12,711,711	55,729,981
Cumulative Effect of Change in Accounting Principle	-	2,651,601	2,651,601
Fund Balances - July 1, as Restated	<u>43,018,270</u>	<u>15,363,312</u>	<u>58,381,582</u>
FUND BALANCES - JUNE 30	<u>\$ 50,744,886</u>	<u>\$ 17,797,507</u>	<u>\$ 68,542,393</u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances as Shown on Previous Page \$ 10,160,811

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements	2,114,039
Depreciation Expense Reported in the Statement of Activities	(6,154,454)
Net Book Value of Disposals	(2,183)

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.

Long-Term Debt Issued	(12,221,000)
Principal Repaid	19,785,000

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

Accrued Interest on Long-Term Debt	6,236
Amortization of Premiums on Debt and Loss on Advance Refunding	1,302,106
Compensated Absences	314,400
Net Pension Liability/Asset	17,875,132
Deferred Outflows of Resources Related to Pensions	16,206,616
Deferred Inflows of Resources Related to Pensions	(23,155,468)
Other Postemployment Benefits	(260,527)
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,577,423
Deferred Inflows of Resources Related to Other Postemployment Benefits	347,349

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see Page 13)	\$ 27,895,480
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**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION —
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2021**

ASSETS

Cash and Investments

\$ 321,208

NET POSITION

Restricted for Scholarships

\$ 321,208

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION —
PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2021**

ADDITIONS	
Investment Earnings	<u>\$ 1,774</u>
CHANGE IN NET POSITION	1,774
Net Position - July 1	<u>319,434</u>
NET POSITION - JUNE 30	<u><u>\$ 321,208</u></u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Appleton Area School District, Appleton, Wisconsin (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (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 seven-member board, operates grades K through 12 and is comprised of all or parts of seven taxing districts. In accordance with 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 not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. District-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.

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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the District reports the following fiduciary fund type:

- The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.

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.

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 employee benefit programs (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.

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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 nonpayment of a scheduled installment, and full receipt of the entire levy is assured within 60 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, 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 benefitted.

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, 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 Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, 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 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.

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. Bonds payable are reported net of the applicable bond premium or discount. 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.

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 (revenue), information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS fiduciary net position have been determined on the same basis as they are reported by 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

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

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 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 adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary 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 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 \$64,838,882 on June 30, 2021 as summarized below:

Deposits with Financial Institutions	\$ 60,187,222
Investments	
Wisconsin Investment Series Cooperative	4,651,660
Total	<u>\$ 64,838,882</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 64,517,674
Fiduciary Fund Statement of Net Position	
Private Purpose Trust Fund	321,208
Total	<u>\$ 64,838,882</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 currently has no investments that are subject to fair value measurement.

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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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.

As of June 30, 2021, \$1,762,834 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Wisconsin Investment Series Cooperative	\$ 4,651,660	\$ -	\$ -	\$ -	\$ 4,651,660

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

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
Wisconsin Investment Series Cooperative	\$ 4,651,660	\$ 4,651,660	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$4,651,660 at year-end invested in the Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is 90 days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperate Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 7,593,005	\$ 23,057	\$ -	\$ 7,616,062
Construction in Progress	913,850	539,826	913,850	539,826
Total Capital Assets, Nondepreciable	<u>8,506,855</u>	<u>562,883</u>	<u>913,850</u>	<u>8,155,888</u>
Capital Assets, Depreciable:				
Land Improvements	8,595,509	299,972	7,500	8,887,981
Buildings and Improvements	143,228,334	1,517,594	-	144,745,928
Machinery and Equipment	13,523,897	647,440	750,179	13,421,158
Subtotals	<u>165,347,740</u>	<u>2,465,006</u>	<u>757,679</u>	<u>167,055,067</u>
Less Accumulated Depreciation for:				
Land Improvements	3,254,829	427,225	7,500	3,674,554
Buildings and Improvements	74,162,999	3,722,178	-	77,885,177
Machinery and Equipment	5,115,886	2,005,051	747,996	6,372,941
Subtotals	<u>82,533,714</u>	<u>6,154,454</u>	<u>755,496</u>	<u>87,932,672</u>
Total Capital Assets, Depreciable, Net	<u>82,814,026</u>	<u>(3,689,448)</u>	<u>2,183</u>	<u>79,122,395</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,320,881</u>	<u>\$ (3,126,565)</u>	<u>\$ 916,033</u>	<u>87,278,283</u>
Less: Capital Related Debt				15,196,000
Less: Construction Related Accounts Payable				132,060
Add: Loss on Advance Refunding (Capital Related Portion)				<u>622,021</u>
Net Investment in Capital Assets				<u>\$ 72,572,244</u>

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables and Payables

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2021 are detailed below:

	Interfund Receivables	Interfund Payables
To Account for Expenditures Paid and Receipts Received by Other Funds		
Governmental Funds:		
General	\$ -	\$ 10,829,239
Special Revenue Funds:		
Donations	1,657,088	-
Indian Education	-	5,415
Food Service	2,954,849	-
General Community Service	1,256,415	-
Debt Service Funds:		
Nonreferendum	-	49,276
Referendum	-	75
Capital Project Funds:		
Other Capital Projects	1,500,000	-
Capital Expansion	3,515,653	-
Totals	\$ 10,884,005	\$ 10,884,005

D. Long-Term Obligations

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 20,010,000	\$ 12,221,000	\$ 18,425,000	\$ 13,806,000	\$ 1,883,000
Notes	2,750,000	-	1,360,000	1,390,000	1,390,000
Total General Obligation Debt	22,760,000	12,221,000	19,785,000	15,196,000	3,273,000
Debt Premium	891,729	-	891,729	-	-
Compensated Absences	1,981,695	315,389	629,789	1,667,295	315,390
Governmental Activities					
Long-Term Obligations	\$ 25,633,424	\$ 12,536,389	\$ 21,306,518	\$ 16,863,295	\$ 3,588,390

Total interest paid during the year on long-term debt totaled \$1,742,795.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/21</u>
General Obligation Note	7/16/12	3/1/22	2.00% - 2.25%	\$ 2,750,000	\$ 1,390,000
General Obligation Bond	6/2/14	3/1/31	2.00% - 4.00%	29,075,000	1,585,000
General Obligation Bond	1/25/21	9/1/25	0.80% - 3.89%	4,585,000	4,585,000
General Obligation Bond	2/25/21	9/1/28	0.94% - 1.58%	7,636,000	7,636,000
Total Outstanding General Obligation Debt					<u>\$ 15,196,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$15,196,000 on June 30, 2021 are detailed below:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,273,000	\$ 616,366	\$ 3,889,366
2023	1,908,000	509,831	2,417,831
2024	2,002,000	483,549	2,485,549
2025	2,000,000	454,967	2,454,967
2026	2,052,000	417,579	2,469,579
2027-2031	3,961,000	588,255	4,549,255
Total	<u>\$ 15,196,000</u>	<u>\$ 3,070,547</u>	<u>\$ 18,266,547</u>

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

Advance Refunding and Defeasance of Existing Debt

During 2021, a debt transaction advance refunded and defeased existing debt of \$11,305,000.

The District placed \$4,654,017 into an irrevocable trust to in-substance defease \$4,035,000 of general obligation bond issued in 2014. Amount placed in the trust was used to defease a portion of the principal balance due in 2032 and 2033 and all remaining principal due in 2031 and will make the required principal payments when due. The resources placed into the irrevocable trust fund were used to purchase United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series (SLGs). As a result, the portion of the 2032 and 2033 and all of the remaining 2031 principal payments are considered to be defeased and the liability has been removed from the financial statements.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Advance Refunding and Defeasance of Existing Debt (Continued)

As part of the same transaction, the District advance refunded general obligation bond issue from 2014. The District issued \$7,636,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

This transaction was undertaken to reduce total debt service payments over the next 11 years by \$5,683,527 and to obtain an economic gain (difference between the present value of the debt service payments of the defeasance and refunded and refunding bonds) of \$298,730.

In prior years, the District defeased and advance refunded portions of multiple general obligation bond issues. As a result, the refunded bonds are also considered to be defeased and the liability has been removed from the financial statements. At June 30, 2021, \$19,105,000 of outstanding general obligation bonds are considered defeased.

Current Refunding

During 2021, the District currently refunded general obligation bond issues from 2012. The District issued \$4,585,000 of general obligation refunding bonds to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next 5 years by \$181,397 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$122,989.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2021 was \$923,286,201 as follows:

Equalized Valuation of the District	\$ 9,384,822,014
Statutory Limitation Percentage	(x) 10%
	938,482,201
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	938,482,201
Total Outstanding General Obligation Debt Applicable to Debt Limitation	15,196,000
Legal Margin for New Debt	\$ 923,286,201

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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>
2022	\$ 4,122,475
2023	1,885,267
2024	1,389,440
2025	341,135
2026	19,592
Total Minimum Payments Required	<u>\$ 7,757,909</u>

Rent expense under all operating leases for the year ended June 30, 2021 amounted to \$4,504,619.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan

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

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.

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

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

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

The WRS also provides death and disability benefits for employees.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

Postretirement 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 Ending June 30,</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21

Contributions

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

During the reporting period ending June 30, 2021, the WRS recognized \$6,607,175 in contributions from the District.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (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 %	11.75 %
Protective without Social Security	6.75 %	16.35 %

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

At June 30, 2021, the District reported an asset of \$38,028,869 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the District's proportion was 0.60913062%, which was a decrease of 0.01589680% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense (revenue) of \$(4,211,645).

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 55,039,449	\$ 11,855,398
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	71,396,102
Changes in Assumptions	862,569	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,262	312,656
Employer Contributions Subsequent to the Measurement Date	3,488,530	-
Total	<u>\$ 59,394,810</u>	<u>\$ 83,564,156</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

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

\$3,488,530 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2022	\$ (7,119,880)
2023	(1,997,443)
2024	(13,017,286)
2025	(5,523,267)
Total	<u>\$ (27,657,876)</u>

Actuarial Assumptions

The total pension liability 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, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

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

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (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:

	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Core Fund Asset Class			
Global Equities	51.0 %	7.2 %	4.7 %
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	(0.4)
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
Cash	(15.0)	0.9	N/A
Total Core Fund	<u>100.0</u>	6.6	4.1 %
Variable Fund Asset Class			
U.S. Equities	70.0	6.6	4.1
International Equities	30.0	7.4	4.9
Total Variable Fund	<u>100.0</u>	7.1	4.6

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

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Pension Plan (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.) Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, 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)	\$ 36,198,213	\$ (38,028,869)	\$ (92,548,108)

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-andstudies/financial-reports-and-statements>.

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$1,735,984 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2021.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Separate financial statements are not issued by the plan. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

Benefits Provided

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
Teachers/ Administrators	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the group health insurance premium and any increases occurring during the first 96 months of premium payments for the plan (single or family) in which the teacher was enrolled at the time of retirement at a ratio of one year's premium for each five years of service (one year's premium for each three years of service for service prior to July 1, 2015) in the District, to a maximum premium payment of 120 months or to age 65, whichever is sooner. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Secretary/ Clerical	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Benefits Provided (Continued)

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
Maintenance	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.				
Para-Professionals	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every twelve years of continuous service, up to two years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.				
Administrative Support Unit	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every six years of continuous service up to six years after 36 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.				

Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	207
Active Employees	<u>1,911</u>
Total	<u><u>2,118</u></u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Salary Increases:	0.2% to 5.6% (based on longevity)
Discount Rate:	2.21%
Healthcare Cost Trend Rates:	2020 - 6.50%
	2021 - 5.00%
	2022 - 5.60%
	2023 - 5.10%
	Ultimate - 3.70%

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the "Wisconsin Retirement System 2015 - 2017 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 2.21% as opposed to a discount rate of 3.5% in prior year. 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.

Changes in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
	<u>(a)</u>
Balance at July 1, 2019	<u>\$ 15,785,357</u>
Changes for the Year:	
Service Cost	732,702
Interest	525,063
Effect of Liability Gains or Losses	933,795
Effect of Assumptions Changes or Inputs	1,127,766
Benefit Payments	<u>(3,058,799)</u>
Net Changes	<u>260,527</u>
Balance at June 30, 2020	<u>\$ 16,045,884</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 %) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease to Discount Rate <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase to Discount Rate <u>(3.21%)</u>
Total OPEB Liability	\$ 16,969,276	\$ 16,045,884	\$ 15,164,968

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 14,580,081	\$ 16,045,884	\$ 17,769,913

Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,292,376.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 845,950	\$ 1,888,679
Changes in Assumptions	2,644,299	871,175
District Contributions Subsequent to the Measurement Date	2,956,621	-
Total	<u>\$ 6,446,870</u>	<u>\$ 2,759,854</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Other Postemployment Benefits (Continued)

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

\$2,956,621 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021, and reported in the year ended June 30, 2022. 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>
2022	\$ 34,611
2023	34,611
2024	34,611
2025	34,611
2026	34,611
Thereafter	557,340
Total	<u>\$ 730,395</u>

Payable to the OPEB Plan

At June 30, 2021, the District reported no outstanding contribution to the Plan required for the year ended June 30, 2021.

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, 2021, nonspendable fund balance was as follows:

	<u>General</u>	<u>Donations</u>
Nonspendable:		
Inventories and Prepaid Items	\$ 709,116	\$ -
Legally Required to Remain Intact	-	34,345
Total Nonspendable Fund Balance	<u>\$ 709,116</u>	<u>\$ 34,345</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Equity (Continued)

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, 2021, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for:	
Scholarships	\$ 4,172,658
Food Service	3,471,205
Community Service	<u>611,131</u>
Total Special Revenue Fund Restricted Fund Balance	<u>8,254,994</u>
Debt Service Funds	
Restricted for:	
Nonreferendum Long-Term Debt Retirement	376,660
Referendum Long-Term Debt Retirement	<u>3,480,034</u>
Total Debt Service Fund Restricted Fund Balance	<u>3,856,694</u>
Capital Project Funds	
Restricted for:	
Long-Term Capital Improvement	2,259,031
Capital Expansion	<u>3,392,443</u>
Total Capital Projects Fund Restricted Fund Balance	<u>5,651,474</u>
Total Restricted Fund Balance	<u><u>\$ 17,763,162</u></u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2021, fund balance was assigned as follows:

General Fund	
Assigned for:	
Retiree Health Insurance	\$ 1,518,222
Building Carryover	1,604,260
Health Reimbursement Accounts Carryover	1,006,290
Cash Flows Assigned for Subsequent Year	19,653,154
Post Retirement Defined Contribution	1,790,465
Self-funded Dental	650,704
Technology Services RLE Carryover	1,535,401
COVID Related Expenses	<u>7,964,305</u>
Total	<u><u>\$ 35,722,801</u></u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Equity (Continued)

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, 2021, restricted fiduciary fund net position was as follows:

Fiduciary Funds	
Restricted for Scholarships	<u>\$ 321,208</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.

In addition to the above, the District accounts for the following risk management program in the General Fund:

Self-funded Insurance Program

The District has a self-insured dental benefit plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing, and payment of claims, after which they bill the District's trustee for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2021. The District has no stop-loss coverage for the dental plan.

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.

At June 30, 2021, the District has reported a liability of \$132,773 which includes \$132,773 representing reported and unreported claims which were incurred on or before June 30, 2021, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2020 and June 30, 2021 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2021	\$ 501,185	\$ 2,234,405	\$ 2,602,817	\$ 132,773
2020	602,282	2,316,968	2,418,065	501,185

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 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. Select 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 the District's reporting period ending June 30, 2022. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 OTHER INFORMATION (CONTINUED)

E. Cumulative Effect on Change in Accounting Principle – Restatement

During fiscal year ended June 30, 2021 the District adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of \$2,651,601. The funds were previously reported as a fiduciary fund.

	Governmental Activities	Donations Fund
Fund Balance/Net Position, Beginning of Year as Previously Reported	\$ 110,335,008	\$ 1,071,503
Change in Accounting Principle	2,651,601	2,651,601
Fund Balance/Net Position, End of Year, as Restated	\$ 112,986,609	\$ 3,723,104

F. Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected on global markets, supply chains, employees of organizations, and local communities. Specific to the District, COVID-19 may impact parts of its 2021-2022 operations and financial results. 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 of December 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 58,236,931	\$ 58,246,972	\$ 58,246,608	\$ (364)
Other Local Sources	1,401,500	1,574,606	907,776	(666,830)
Interdistrict Sources	16,944,625	16,944,625	16,045,563	(899,062)
Intermediate Sources	-	-	25,409	25,409
State Sources	109,198,845	110,166,369	109,551,555	(614,814)
Federal Sources	6,266,500	11,709,200	11,177,827	(531,373)
Other Sources	165,500	394,451	516,440	121,989
Total Revenues	<u>192,213,901</u>	<u>199,036,224</u>	<u>196,471,178</u>	<u>(2,565,046)</u>
EXPENDITURES				
Instruction:				
Regular Instruction	75,730,059	76,904,727	75,178,405	1,726,322
Vocational Instruction	3,797,746	3,842,648	3,807,584	35,064
Other Instruction	12,934,755	13,408,502	12,354,851	1,053,651
Total Instruction	<u>92,462,560</u>	<u>94,155,877</u>	<u>91,340,840</u>	<u>2,815,037</u>
Support Services:				
Pupil Services	8,510,842	9,088,492	8,061,513	1,026,979
Instructional Staff Services	8,545,724	11,063,922	9,765,111	1,298,811
General Administration Services	1,461,258	2,083,514	1,618,961	464,553
School Administration Services	9,778,396	10,078,113	9,662,084	416,029
Business Services	1,272,634	1,193,390	497,283	696,107
Operations and Maintenance of Plant	16,567,611	18,581,871	16,902,468	1,679,403
Pupil Transportation Services	2,579,858	2,585,902	2,672,177	(86,275)
Central Services	2,605,464	2,665,136	2,716,800	(51,664)
Insurance	1,250,000	1,250,000	1,358,577	(108,577)
Other Support Services	9,816,774	9,702,379	8,482,397	1,219,982
Total Support Services	<u>62,388,561</u>	<u>68,292,719</u>	<u>61,737,371</u>	<u>6,555,348</u>
Debt Service:				
Principal	1,328,825	1,328,825	-	1,328,825
Interest and Fiscal Charges	21,175	21,175	-	21,175
Total Debt Service	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
Nonprogram:				
General Tuition Payments	6,584,000	6,584,000	8,364,433	(1,780,433)
Adjustments and Refunds	154,000	85,798	80,362	5,436
Voucher Payments	3,360,000	3,360,000	3,760,542	(400,542)
Total Nonprogram	<u>10,098,000</u>	<u>10,029,798</u>	<u>12,205,337</u>	<u>(2,175,539)</u>
Total Expenditures	<u>166,299,121</u>	<u>173,828,395</u>	<u>165,283,548</u>	<u>8,544,847</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>25,914,780</u>	<u>25,207,830</u>	<u>31,187,630</u>	<u>5,979,800</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	5,914	5,914
Transfers Out	(24,830,650)	(24,830,650)	(23,466,928)	1,363,722
Total Other Financing Sources (Uses)	<u>(24,830,650)</u>	<u>(24,830,650)</u>	<u>(23,461,014)</u>	<u>1,369,636</u>
NET CHANGE IN FUND BALANCE	1,084,130	377,180	7,726,616	7,349,436
Fund Balance - July 1	<u>43,018,270</u>	<u>43,018,270</u>	<u>43,018,270</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 44,102,400</u>	<u>\$ 43,395,450</u>	<u>\$ 50,744,886</u>	<u>\$ 7,349,436</u>

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — SPECIAL EDUCATION SPECIAL REVENUE FUND —
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Other Local Sources	\$ -	\$ 50,365	\$ 49,090	\$ (1,275)
Interdistrict Sources	180,000	180,000	240,800	60,800
Intermediate Sources	15,000	15,000	7,941	(7,059)
State Sources	7,558,137	7,603,213	8,598,212	994,999
Federal Sources	4,000,000	4,673,000	4,801,306	128,306
Total Revenues	<u>11,753,137</u>	<u>12,521,577</u>	<u>13,697,349</u>	<u>1,175,772</u>
EXPENDITURES				
Instruction:				
Regular Instruction	19,655	20,930	-	20,930
Vocational Instruction	-	90	70	20
Special Education Instruction	28,032,141	28,572,963	28,168,537	404,426
Other Instruction	87,454	87,532	71,990	15,542
Total Instruction	<u>28,139,250</u>	<u>28,681,515</u>	<u>28,240,597</u>	<u>440,918</u>
Support Services:				
Pupil Services	4,833,523	5,070,637	3,845,856	1,224,781
Instructional Staff Services	1,367,245	1,178,051	1,163,166	14,885
General Administration Services	-	6,981	6,981	-
Business Services	48,289	48,289	49,650	(1,361)
Operations and Maintenance of Plant	10,100	24,723	39,892	(15,170)
Pupil Transportation Services	2,095,280	2,100,842	1,999,102	101,740
Central Services	100	4,224	5,328	(1,104)
Total Support Services	<u>8,354,537</u>	<u>8,433,747</u>	<u>7,109,975</u>	<u>1,323,771</u>
Nonprogram:				
Special Education Tuition Payments	90,000	236,965	254,216	(17,251)
Total Expenditures	<u>36,583,787</u>	<u>37,352,227</u>	<u>35,604,788</u>	<u>1,747,439</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(24,830,650)	(24,830,650)	(21,907,439)	2,923,210
OTHER FINANCING SOURCES				
Transfers In	24,830,650	24,830,650	21,907,439	(2,923,211)
NET CHANGE IN FUND BALANCE	-	-	-	(1)
Fund Balance - July 1	-	-	-	-
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ***

	2021	2020	2019	2018
Total OPEB Liability:				
Service Cost	\$ 732,702	\$ 1,339,310	\$ 1,295,633	\$ 1,402,339
Interest	525,063	867,258	854,123	748,236
Changes of Benefit Terms	-	(5,562,388)	-	-
Differences Between Expected and Actual Experience	933,795	(2,326,379)	-	-
Changes of Assumptions	1,127,766	1,998,670	(377,238)	(972,006)
Benefit Payments	(3,058,799)	(3,173,057)	(3,356,722)	(3,582,737)
Net Change in Total OPEB Liability	260,527	(6,856,586)	(1,584,204)	(2,404,168)
Total OPEB Liability - Beginning	15,785,357	22,641,943	24,226,147	26,630,315
Total OPEB Liability - Ending	<u>\$ 16,045,884</u>	<u>\$ 15,785,357</u>	<u>\$ 22,641,943</u>	<u>\$ 24,226,147</u>
Covered Employee Payroll	\$ 99,460,287	\$ 98,938,195	\$ 101,457,415	\$ 95,813,152
District's Total OPEB Liability as a Percentage of Covered Employee Payroll	16%	16%	22%	25%

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

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT YEARS**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (Plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.63069221%	\$ (15,491,526)	\$ 87,953,382	17.61%	102.74%
12/31/15	0.62692309%	10,187,379	88,611,191	11.50%	98.20%
12/31/16	0.62549638%	5,155,584	90,249,176	5.71%	99.12%
12/31/17	0.62525994%	(18,564,709)	93,206,041	19.92%	102.93%
12/31/18	0.62830619%	22,353,164	97,264,608	22.98%	96.45%
12/31/19	0.62502742%	(20,153,737)	98,543,402	20.45%	102.96%
12/31/20	0.60913062%	(38,028,869)	97,198,588	39.12%	105.26%

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

<u>District Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/15	\$ 6,073,215	\$ 6,073,215	\$ -	\$ 88,362,345	6.87%
6/30/16	5,933,997	5,933,997	-	88,923,093	6.67%
6/30/17	6,242,053	6,242,053	-	92,790,864	6.73%
6/30/18	6,453,759	6,453,759	-	95,813,152	6.74%
6/30/19	6,697,786	6,697,786	-	101,457,415	6.60%
6/30/20	6,588,227	6,588,227	-	98,938,195	6.66%
6/30/21	6,607,175	6,607,175	-	99,460,287	6.64%

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 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.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLANS

There were no changes in benefit terms. The discount rate assumption used to develop the total OPEB liability changed from the prior year. Please refer to the actuarial assumptions section in the notes to the financial statements for additional information. The amounts reported for each fiscal year were determined as of June 30 of the prior fiscal year-end. No assets have been accumulated in an irrevocable trust.

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 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

- 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.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2021.

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, 2021.

Funds	Excess Expenditures
General Fund	
Support Services	
Pupil Transportation Services	\$ 86,275
Central Services	51,664
Insurance	108,577
Nonprogram	
General Tuition Payments	1,780,433
Vouchers Payments	400,542
Special Education Fund	
Support Services	
Business Services	1,361
Operations and Maintenance of Plant	15,170
Central Services	1,104
Nonprogram	
Special Education Tuition Payments	17,251

Excess expenditures were funded with positive variances in other general and special education fund appropriation accounts.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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, this fund is 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 GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education Fund</u>
Revenues:		
Actual Amounts (Budgetary Basis)	\$ 196,471,178	\$ 13,697,349
Reclassification of Special Education	<u>13,697,349</u>	<u>(13,697,349)</u>
Total Revenues	210,168,527	-
Expenditures:		
Actual Amounts (Budgetary Basis)	165,283,548	35,604,788
Reclassification of Special Education	<u>35,604,788</u>	<u>(35,604,788)</u>
Total Expenditures	<u>200,888,336</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures:		
Actual Amounts (Budgetary Basis)	31,187,630	(21,907,439)
Reclassification of Special Education	<u>(21,907,439)</u>	<u>21,907,439</u>
Excess of Revenues Over (Under) Expenditures	9,280,191	-
Other Financing Sources (Uses):		
Actual Amounts (Budgetary Basis)	(23,461,014)	21,907,439
Reclassification of Special Education	<u>21,907,439</u>	<u>(21,907,439)</u>
Total Other Financing Sources (Uses)	(1,553,575)	-
Net Change in Fund Balance:		
Actual Amounts (Budgetary Basis)	<u>7,726,616</u>	<u>-</u>
Net Change in Fund Balance	7,726,616	-
Fund Balance - July 1		
Actual Amounts (Budgetary Basis)	<u>43,018,270</u>	<u>-</u>
Fund Balance - July 1	43,018,270	-
Fund Balance - June 30		
Actual Amounts (Budgetary Basis)	<u>\$ 50,744,886</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

**APPLETON AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
ASSETS				
Cash and Investments	\$ 2,677,306	\$ -	\$ 109,992	\$ -
Due from Other Funds	1,657,088	-	2,954,849	1,256,415
Due from Other Governments	9,185	15,749	761,561	-
Total Assets	<u>\$ 4,343,579</u>	<u>\$ 15,749</u>	<u>\$ 3,826,402</u>	<u>\$ 1,256,415</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 127,352	\$ 9,262	\$ 161,772	\$ 638,783
Accrued and Other Current Liabilities	9,224	1,072	-	6,501
Due to Other Funds	-	5,415	-	-
Deposits Payable	-	-	193,425	-
Total Liabilities	<u>136,576</u>	<u>15,749</u>	<u>355,197</u>	<u>645,284</u>
FUND BALANCES				
Nonspendable	34,345	-	-	-
Restricted	4,172,658	-	3,471,205	611,131
Total Fund Balances	<u>4,207,003</u>	<u>-</u>	<u>3,471,205</u>	<u>611,131</u>
Total Liabilities and Fund Balances	<u>\$ 4,343,579</u>	<u>\$ 15,749</u>	<u>\$ 3,826,402</u>	<u>\$ 1,256,415</u>

**APPLETON AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021**

Debt Service		Capital Projects		Total
Nonreferendum Debt Service	Referendum Debt Service	Long-Term Capital Improvement	Capital Expansion	Nonmajor Governmental Funds
\$ 425,936	\$ 3,480,109	\$ 759,031	\$ 8,850	\$ 7,461,224
-	-	1,500,000	3,515,653	10,884,005
-	-	-	-	786,495
<u>\$ 425,936</u>	<u>\$ 3,480,109</u>	<u>\$ 2,259,031</u>	<u>\$ 3,524,503</u>	<u>\$ 19,131,724</u>
\$ -	\$ -	\$ -	\$ 132,060	\$ 1,069,229
-	-	-	-	16,797
49,276	75	-	-	54,766
-	-	-	-	193,425
<u>49,276</u>	<u>75</u>	<u>-</u>	<u>132,060</u>	<u>1,334,217</u>
-	-	-	-	34,345
<u>376,660</u>	<u>3,480,034</u>	<u>2,259,031</u>	<u>3,392,443</u>	<u>17,763,162</u>
<u>376,660</u>	<u>3,480,034</u>	<u>2,259,031</u>	<u>3,392,443</u>	<u>17,797,507</u>
<u>\$ 425,936</u>	<u>\$ 3,480,109</u>	<u>\$ 2,259,031</u>	<u>\$ 3,524,503</u>	<u>\$ 19,131,724</u>

**APPLETON AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ 1,957,515
Other Local Sources	899,179	-	81,277	953
State Sources	-	-	105,166	-
Federal Sources	-	37,162	4,255,284	-
Other Sources	1,297,706	-	284,816	-
Total Revenues	<u>2,196,885</u>	<u>37,162</u>	<u>4,726,543</u>	<u>1,958,468</u>
EXPENDITURES				
Instruction:				
Regular Instruction	682,678	31,284	-	-
Vocational Instruction	14,411	-	-	-
Other Instruction	328,051	-	-	-
Total Instruction	<u>1,025,140</u>	<u>31,284</u>	<u>-</u>	<u>-</u>
Support Services:				
Pupil Services	40,596	-	-	-
Instructional Staff Services	26,770	2,784	-	-
General Administration Services	2,011	3,094	-	66,284
School Administration Services	426,809	-	-	625,012
Business Services	-	-	-	205,647
Operations and Maintenance of Plant	188,447	-	192,113	208,348
Pupil Transportation Services	3,213	-	-	-
Food Services	-	-	4,102,994	-
Central Services	-	-	-	82,944
Total Support Services	<u>687,846</u>	<u>5,878</u>	<u>4,295,107</u>	<u>1,188,235</u>
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Service	-	-	-	1,382,155
Total Expenditures	<u>1,712,986</u>	<u>37,162</u>	<u>4,295,107</u>	<u>2,570,390</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	483,899	-	431,436	(611,922)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Payment to Current Bondholder	-	-	-	-
Payment to Advance Refunding Escrow Agent	-	-	-	-
Transfers In	-	-	59,489	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>59,489</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>483,899</u>	<u>-</u>	<u>490,925</u>	<u>(611,922)</u>
Fund Balances - July 1, as Originally Stated	1,071,503	-	2,980,280	1,223,053
Cumulative Effect of Change in Accounting Principle	2,651,601	-	-	-
Fund Balances - July 1, as Restated	<u>3,723,104</u>	<u>-</u>	<u>2,980,280</u>	<u>1,223,053</u>
FUND BALANCES - JUNE 30	<u>\$ 4,207,003</u>	<u>\$ -</u>	<u>\$ 3,471,205</u>	<u>\$ 611,131</u>

**APPLETON AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Debt Service		Capital Projects		Total
Non-Referendum Debt Service	Referendum Debt Service	Long-term Capital Improvement	Capital Expansion	Nonmajor Governmental Funds
\$ 1,418,475	\$ 7,659,217	\$ -	\$ 2,460,000	\$ 13,495,207
244,351	2,886	1,465	8	1,230,119
-	-	-	-	105,166
-	-	-	-	4,292,446
-	-	-	-	1,582,522
<u>1,662,826</u>	<u>7,662,103</u>	<u>1,465</u>	<u>2,460,008</u>	<u>20,705,460</u>
-	-	-	-	713,962
-	-	-	-	14,411
-	-	-	-	328,051
-	-	-	-	<u>1,056,424</u>
-	-	-	-	40,596
-	-	-	-	29,554
-	-	-	-	71,389
-	-	-	-	1,051,821
-	-	-	-	205,647
-	-	-	1,908,314	2,497,222
-	-	-	-	3,213
-	-	-	-	4,102,994
-	-	-	-	82,944
-	-	-	<u>1,908,314</u>	<u>8,085,380</u>
1,360,000	6,204,000	-	-	7,564,000
58,475	1,684,320	-	-	1,742,795
<u>1,418,475</u>	<u>7,888,320</u>	<u>-</u>	<u>-</u>	<u>9,306,795</u>
-	-	-	-	1,382,155
<u>1,418,475</u>	<u>7,888,320</u>	<u>-</u>	<u>1,908,314</u>	<u>19,830,754</u>
244,351	(226,217)	1,465	551,694	874,706
-	12,221,000	-	-	12,221,000
-	(4,585,000)	-	-	(4,585,000)
-	(7,636,000)	-	-	(7,636,000)
-	-	1,500,000	-	1,559,489
-	-	<u>1,500,000</u>	-	<u>1,559,489</u>
<u>244,351</u>	<u>(226,217)</u>	<u>1,501,465</u>	<u>551,694</u>	<u>2,434,195</u>
132,309	3,706,251	757,566	2,840,749	12,711,711
-	-	-	-	2,651,601
<u>132,309</u>	<u>3,706,251</u>	<u>757,566</u>	<u>2,840,749</u>	<u>15,363,312</u>
<u>\$ 376,660</u>	<u>\$ 3,480,034</u>	<u>\$ 2,259,031</u>	<u>\$ 3,392,443</u>	<u>\$ 17,797,507</u>

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS
YEAR ENDED JUNE 30, 2021**

		<u>Appleton Bilingual</u>	<u>Appleton Eschool</u>	<u>Appleton Public Montessori</u>	<u>Appleton Technical Academy</u>	<u>Classical School</u>
	<u>Object</u>					
OPERATING ACTIVITY						
Employee Salaries	100	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536
Employee Benefits	200	230	230	230	230	230
Total		<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>

**APPLETON AREA SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS (CONTINUED)
 YEAR ENDED JUNE 30, 2021**

<u>Fox Cities Leadership Academy</u>	<u>Fox River Academy</u>	<u>Kaleidoscope Academy</u>	<u>Renaissance School For the Arts</u>	<u>Stephen Foster Elementary</u>	<u>Tesla Engineering Charter School</u>	<u>Valley New School</u>	<u>Wisconsin Connections Academy</u>
\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536	\$ 1,536
230	230	230	230	230	230	230	230
<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</u>	<u>\$ 1,766</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
Appleton Area School District
Appleton, 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 major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

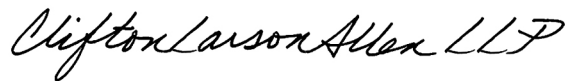
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Appleton Area School District's Response to Findings

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 the 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 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 on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
December 15, 2021

FEDERAL AND STATE AWARDS



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

Board of Education
Appleton Area School District
Appleton, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Appleton Area School District, Appleton, 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, 2021. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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.

Basis for Qualified Opinion on State General Transportation Aid Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding State I.D. Number 255.107 General Transportation Aid as described in finding number 2021-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the State General Transportation Aid Program

In our opinion, except for noncompliance described in the Basis for Qualified Opinion paragraph, 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 the state general transportation aid program for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other 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 other major federal and state programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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

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 15, 2021

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor Agency/Federal Program Cluster or Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/2020	Cash Received	Accrued (Deferred) Revenue 6/30/2021	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
COVID-19 National School Lunch Program	10.555	WI DPI	2021-440147-DPI-NSL-547	\$ -	\$ 38,650	\$ 5,771	\$ 44,421	\$ -
Donated Commodities	10.555	WI DPI	2021-440147-NSL-547	-	478,715	-	478,715	-
Total National School Lunch Program				-	517,365	5,771	523,136	-
COVID-19 Summer Food Service Program for Children	10.559	WI DPI	2021-440147-DPI-SFSP-566	(215,089)	3,124,482	727,063	3,636,456	-
Total Child Nutrition Cluster				(215,089)	3,641,847	732,834	4,159,592	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2021-440147-DPI-FFVPJULPUB-594	-	66,965	28,727	95,692	-
Total U.S. Department of Agriculture				(215,089)	3,708,812	761,561	4,255,284	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2021-440147-TIA-141	(410,045)	1,604,029	779,283	1,973,267	-
Title I Grants to Local Educational Agencies-Private	84.010	WI DPI	2021-440147-Title I-141	(8,309)	68,302	25,983	85,976	-
Title I Grants to Local Educational Agencies-Delinquent	84.010	WI DPI	2021-440147-TI-D Delin-140	(6,498)	13,006	3,703	10,211	-
Total Title I Grants to Local Educational Agencies				(424,852)	1,685,337	808,969	2,069,454	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2021-440147-DPI-IDEA-FT-341	(804,811)	3,497,473	1,141,510	3,834,172	-
Special Education Preschool Grants	84.173	WI DPI	2021-440147-DPI-IDEA-P-347	(28,066)	130,972	34,047	136,953	-
Total Special Education Cluster (IDEA)				(832,877)	3,628,445	1,175,557	3,971,125	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2021-440147-CP-CTE-400	-	91,880	39,349	131,229	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2020-440147-CP-CTE-401	(25,269)	25,269	-	-	-
Total Career and Technical Ed. - Basic Grants to States				(25,269)	117,149	39,349	131,229	-
Indian Education - Grants to Local Educational Agencies	84.060A	Direct Program	N/A	(2,584)	23,997	15,749	37,162	-
Education for Homeless Children and Youth	84.196	WI DPI	2020-440147-DPI-EHCY-335	(7,860)	7,860	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2021-440147-DPI-T-IV-B-367	(11,529)	92,617	70,537	151,625	-
English Language Acquisition State Grants	84.365	WI DPI	2021-440147-DPI-TIIIA-391	(57,403)	167,498	87,242	197,337	-
Improving Teacher Quality State Grants	84.367	WI DPI	2021-440147-DPI-TIIA-365	(122,900)	474,934	155,603	507,637	-
Student Support and Academic Enrichment Program	84.424A	WI DPI	2021-440147-DPI-TIV-A-381	(22,149)	148,151	28,028	154,030	-
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	WI DPI	2021-440147-DPI-ESSERF-160	-	1,710,975	-	1,710,975	-
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	WI DPI	2021-440147-DPI-ESSERF-160	-	-	5,454,429	5,454,429	-
Total Elementary and Sec. School Emergency Relief				-	1,710,975	5,454,429	7,165,404	-
Total U.S. Department of Education				(1,507,423)	8,056,963	7,835,463	14,385,003	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
<i>Promoting Adolescent Health in Wisconsin through</i>								
Refugee School Impact Grant	93.576	WI DPI	FY2020-440147-Refugee-538	(8,838)	11,100	3,681	5,943	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	Unknown	-	1,530,793	94,556	1,625,349	-
Total U.S. Department of Health and Human Services				(8,838)	1,541,893	98,237	1,631,292	-
Total Expenditures of Federal Awards				<u>\$ (1,731,350)</u>	<u>\$ 13,307,668</u>	<u>\$ 8,695,261</u>	<u>\$ 20,271,579</u>	<u>\$ -</u>

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

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/2020	Cash Received	Accrued (Deferred) Revenue 6/30/2021	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	440147-100	\$ -	\$ 8,397,423	\$ -	\$ 8,397,423	\$ -
State School Lunch Aid	255.102	Direct Program	440147-107	-	59,483	-	59,483	-
Common School Fund Library Aid	255.103	Direct Program	440147-104	-	666,308	-	666,308	-
Bilingual Bicultural Aid lea	255.106	Direct Program	440147-111	-	418,053	-	418,053	-
General Transportation Aid	255.107	Direct Program	440147-102	-	81,248	-	81,248	-
Equalization Aids	255.201	Direct Program	440147-116	(1,534,801)	94,555,183	1,493,368	94,513,750	-
High Cost Special Education Aid	255.210	Direct Program	440147-119	-	107,713	-	107,713	-
Supplemental Per Pupil Aid	255.245	Direct Program	440147-181	-	44,659	-	44,659	-
Peer to Peer Suicide Prevention	255.246	Direct Program	440147-183	-	1,000	-	1,000	-
School Based Mental Health Services Grant	255.297	Direct Program	440147-177	(8,325)	64,308	591	56,574	-
Alcohol and Other Drug Abuse	255.306	Direct Program	440147-143	(1,043)	19,728	5,493	24,178	-
Transition Readiness	255.257	Direct Program	440147-174	-	-	45,076	45,076	-
AODA Program Grants	255.321	Direct Program	440147-142	-	1,000	-	1,000	-
State School Breakfast Aid	255.344	Direct Program	440147-108	-	45,683	-	45,683	-
Early College Credit Program	255.445	Direct Program	440147-178	-	8,489	-	8,489	-
Achievement Gap Reduction (AGR)	255.504	Direct Program	440147-160	-	1,323,633	-	1,323,633	-
Educator Effective Evaluation System	255.940	Direct Program	440147-154	(3,760)	105,680	-	101,920	-
Per Pupil Aid	255.945	Direct Program	440147-113	-	10,904,432	-	10,904,432	-
Career and Technical Education Incentive Grants	255.950	Direct Program	440147-171	44,817	42,924	-	87,741	-
Assessments of Reading Readiness	255.956	Direct Program	440147-166	-	23,883	-	23,883	-
Robotics League Participation Grants	255.959	Direct Program	440147-167	(4,359)	4,359	5,000	5,000	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	440147-168	-	48,000	-	48,000	-
Total Wisconsin Department of Public Instruction				(1,507,471)	116,923,189	1,549,528	116,965,246	-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Initiative Grant	455.206	Direct Program	13216	(70,196)	185,033	-	114,837	-
School Safety Initiative Grant	455.206	Direct Program	14404	(1,112)	75,437	14,850	89,175	-
Total Wisconsin Department of Justice				(71,308)	260,470	14,850	204,012	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Expanded Wisconsin Fast Forward	445.109	Direct Program	N/A	(59,963)	76,639	-	16,676	-
Total State Programs				<u>\$ (1,638,742)</u>	<u>\$ 117,260,298</u>	<u>\$ 1,564,378</u>	<u>\$ 117,185,934</u>	<u>\$ -</u>

Reconciliation to the Basic Financial Statements:

State Sources	\$ 118,254,933
Less: State Sources Not Considered State Financial Assistance	
State Tax Computer and Personal Property Aid	(1,068,999)
Total State Awards	<u>\$ 117,185,934</u>

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the Appleton 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 or changes in net position 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 2021 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the 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 indirect costs.

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2020 - 2021 eligible costs under the State Special Education Program as reported by the District are \$31,420,773. 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2021**

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

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Basic Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? X Yes _____ No
3. Noncompliance material to basic financial statements noted? _____ Yes X No

Federal and State Awards

1. Internal control over compliance:
- Material weakness(es) identified? X Yes _____ No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? X Yes _____ No
2. Type of auditor’s report issued on compliance for major federal programs: Unmodified
3. Type of auditor’s report issued on compliance for major state programs: Qualified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes _____ No
5. Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? X Yes _____ No

Identification of Major Federal Programs Assistance Listing Numbers

Name of Federal Program

10.555
10.559

Child Nutrition Cluster:
COVID-19 National School Lunch Program
COVID-19 Summer Food Service Program for Children

84.010

Title I Grants to Local Education Agencies

84.425D

COVID-19 Elementary and Secondary School Emergency Relief

**APPLETON AREA SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major State Programs

State ID Numbers	Name of State Program
255.107	General Transportation Aids
255.201	Equalization Aids

Audit threshold used to determine between Type A and Type B programs:

Federal Awards:	<u>\$750,000</u>
State Awards:	<u>\$250,000</u>

Auditee qualify as low-risk auditee? _____ Yes X No

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

**Finding No.
2021-001**

**Control Deficiencies
Preparation of Annual Financial Reporting**

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:	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.
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.
Effect:	Without CLA 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.
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:	Management continues to believe the cost to hire additional staff to eliminate the control deficiency outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by CLA prior to issuance.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Findings and Questioned Costs

<u>Finding No.</u>	<u>Control Deficiencies</u>
2021-002	Federal Grants Management Procurement Policy Assistance Listing Numbers: Child Nutrition Cluster, 10.555 National School Lunch Program and 10.559 Summer School Food Service Program for Children
Compliance Requirement:	Procurement
Type of Finding:	Significant deficiency in internal control over compliance
Criteria:	2 CFR 200.320 Methods of Procurement state that if the small purchases method is used, price or rate quotations must be obtained from an adequate number of qualified sources (at least two).
Condition:	During our testing of procurement transactions of the program, we noted that the selection of seven procurements were not supported by an adequate number of quotes (at least two) to ensure the District is prudent with the monies used towards the program. The District did not maintain records sufficient to detail the history of all procurements, including rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price (including a cost or price analysis).
Questioned Costs:	None
Context:	Of the 8 small purchases sampled from a population of 30, 7 were not supported by an adequate number of quotes (at least two) to ensure the District is prudent with the monies used towards the program.
Cause:	The District did not follow their Federal Funds Procedural Policy, effective July 1, 2015.
Effect:	Obtaining price quotes from an adequate number of vendors allows the District to use federal funds in the most fiscally responsible way. The lack of price quotes may cause the District to over-pay for supplies or services.
Repeat Finding:	No
Recommendation:	We recommend the District follow their purchasing policy related to small purchases which includes obtaining price quotes from an adequate number of vendors (at least two) and maintaining this documentation.
View of Responsible Officials:	There is no disagreement with this finding. See corrective action plan for additional information.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Findings and Questioned Costs (Continued)

<u>Finding No.</u> 2021-003	<u>Control Deficiencies</u> Pupil Transportation Compliance State ID# 255.107
Type of Finding:	Material Weakness in Internal Control Over Compliance and Qualified Opinion
Criteria:	The requirements for state transportation aid are detailed in Section 121.58 of the Wisconsin Statutes. These requirements contain provisions that require school districts to count pupils who were actually transported once during the school year from home to school using the most direct route. In addition, all students claimed should be properly classified by the correct mileage category.
Condition:	The District ridership reporting for the 2020-21 school year is based on 2019-2020 ridership data. The number of pupils reported for 2020-21 is exactly the same as the numbers reported for 2019-20.
Questioned Costs:	Not determined.
Context:	The District ridership reporting for the 2020-21 school year does not meet the requirements of Section 121.58 of the Wisconsin Statutes.
Cause:	The bus company is expected to take attendance twice per year to verify whether students are actually riding the bus. At the end of the school year, the Transportation Manager is expected to use the information from the bus company and the school attendance records to consolidate the data and submits ridership to the DPI. During 2020-21, the District submitted 2019-2020 ridership information due to COVID-19.
Effect:	The District reported ridership data for 2020-2021 does not meet the requirements of Section 121.58 of the Wisconsin Statutes as ridership is not based on pupils actually transported once due the school year. Data reported is based on 2019-20 ridership data.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Findings and Questioned Costs (Continued)

Recommendation: We recommend the District evaluate the process and procedures utilized to gather and submit ridership data. The District should assign an individual to oversee the counts conducted by the contracted bus company. This individual should retain all original count sheets completed by drivers to support the totals reported to DPI on forms PI-1547 Pupil Transportation Report and PI-1547-SS Pupil Transportation Summer Report. We further recommend the District assign an individual to review and approve the submission of the PI-1547 and PI-1547-SS reports with corresponding supporting documentation of counts. Such review procedures should be performed by an individual possessing a thorough understanding of the District’s activities and operations and the requirements of the grant.

View of Responsible Officials: There is no disagreement with audit finding. See corrective action plan for additional information.

Section IV – Other Issues

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| 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 noncompliance, 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 Public Instruction | Yes |
| Department of Justice | No |
| Department of Workforce Development | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | No |

4. Name and signature of partner	 <hr style="width: 80%; margin: 0 auto;"/> Bryan Grunewald, CPA
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5. Date of report	December 15, 2021
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