

## PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 31, 2020

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "THE BONDS - TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

**New Issue**

**Rating Application Made: Moody's Investors Service, Inc.**

### SCHOOL DISTRICT OF HOWARDS GROVE, WISCONSIN (Sheboygan and Manitowoc Counties)

#### \$1,240,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

**BID OPENING:** January 14, 2021, 10:00 A.M., C.T.

**CONSIDERATION:** Not later than 11:59 P.M., C.T. on January 14, 2021 (PARAMETERS RESOLUTION)

**PURPOSE/AUTHORITY/SECURITY:** The \$1,240,000\* General Obligation Refunding Bonds, Series 2021A (the "Bonds") are authorized pursuant to Section 67.04, Wisconsin Statutes, by the School District of Howards Grove, Wisconsin (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds are general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF BONDS:** February 11, 2021

**MATURITY:** April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$15,000	2023	\$250,000	2025	\$320,000
2022	250,000	2024	310,000	2026	95,000

**\*MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** April 1, 2021 and semiannually thereafter.

**OPTIONAL REDEMPTION:** The Bonds are being offered without option of prior optional redemption.

**MINIMUM BID:** \$1,227,600.

**MAXIMUM BID:** \$1,302,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$24,800 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Quarles & Brady LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the District is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## **HOWARDS GROVE SCHOOL BOARD**

		<u>Term Expires</u>
David Loomis	President	April 2021
Ed Pahl	Vice President	April 2022
Kari Bramstedt	Clerk	April 2022
Janina Siemers	Treasurer	April 2021
Mike Stoeckigt	Director	April 2023

## **ADMINISTRATION**

Christopher Peterson, District Administrator

Josh Swanson, Business Manager

## **PROFESSIONAL SERVICES**

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin  
*(Other offices located in Roseville, Minnesota and Denver, Colorado)*

## **INTRODUCTORY STATEMENT**

This Preliminary Official Statement contains certain information regarding School District of Howards Grove, Wisconsin (the "District") and the issuance of its \$1,240,000\* General Obligation Refunding Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and establishing parameters for the sale of the Bonds ("Parameters Resolution").

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the District's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## **THE BONDS**

### **GENERAL**

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 11, 2021. The Bonds will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Parameters Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

### **OPTIONAL REDEMPTION**

The Bonds are being offered without the option of prior optional redemption.

\*Preliminary, subject to change.

## AUTHORITY; PURPOSE

The Bonds of the District are authorized pursuant to Section 67.04, Wisconsin Statutes, for the purpose of effecting a current refunding of the District's \$3,400,000 General Obligation School Building Bonds, Series 2011A, dated July 1, 2011 (the "Series 2011A Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 442860
Series 2011A Bonds	7/1/11	4/1/21	Par	2022	3.00%	\$230,000	ES7
				2023	3.10%	235,000	ET5
				2024	3.20%	305,000	EU2
				2025	3.30%	320,000	EV0
				2026	3.50%	<u>105,000</u>	EW8
Total Series 2011A Bonds Being Refunded						<u>\$1,195,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on April 1, 2021 from the Debt Service Fund Account for the Series 2011A Bonds.

## ESTIMATED SOURCES AND USES\*

### Sources

Par Amount of Bonds	<u>\$1,240,000</u>	
<b>Total Sources</b>		<b>\$1,240,000</b>

### Uses

Total Underwriter's Discount (1.000%)	\$12,400	
Costs of Issuance	32,000	
Deposit to Current Refunding Fund	1,195,000	
Rounding Amount	<u>600</u>	
<b>Total Uses</b>		<b>\$1,240,000</b>

\*Preliminary, subject to change.

## SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the District will be irrevocably pledged. The District will levy a direct, annual, irrepealable tax on all taxable property in the District sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## **RATING**

General obligation debt of the District, with the exception of any outstanding credit enhanced issues, is currently rated "Aa3" by Moody's Investors Service, Inc. ("Moody's").

The District has requested a rating on the Bonds from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## **STATEMENT REGARDING COUNSEL PARTICIPATION**

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "THE BONDS - TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

## **TAX EXEMPTION**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The District has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.



## ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

## **BOND PREMIUM**

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable premium" within the meaning of Section 171 of the Code. The amortizable premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable premium is not allowed any deduction for the amortizable premium; rather the amortizable premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2020 have been audited by CliftonLarsonAllen LLP, Sheboygan, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

## RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

**State Economy; School District Aids:** State cash flow problems could delay or reduce the level of school aids anticipated by the District for operation expense and reimbursement for debt payments made. This could reduce District fund balances and adversely affect the value of the Bonds.

**Ratings; Interest Rates:** In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the District with the covenants in the Parameters Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

**Cybersecurity:** The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

**Impact of the Spread of COVID-19:** In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, including the duration of the outbreak and measures taken to address the outbreak.

On March 12, 2020, Wisconsin Governor Tony Evers declared a public health emergency in the state in response to the growing threat of COVID-19. That declaration included direction to the state Department of Health Services to use any and all required resources to respond to and contain the outbreak. Governor Evers followed that up with a "safer at home" order (the "Order") on March 24, 2020, closing nonessential businesses, banning gatherings of any size and imposing strict travel restrictions through April 24, 2020. On April 16, 2020, the Order was extended from April 24, 2020 through May 26, 2020. Schools remained closed for the duration of the 2019-2020 school year, but certain non-essential businesses were allowed to open operations on a limited basis during this time, including curbside pickup, delivery, mailings and minimum basic operations.

Also on April 16, 2020, President Trump outlined "Guidelines for Opening Up America Again," a three-phased approach to restarting the economy based on public health experts' advice. The guidelines start with a set of criteria that should be met before starting phases one to three. The criteria include a downward trajectory of people with flu-like and COVID-19-like symptoms for 14 days; a downward trajectory of documented cases for 14 days or a downward trajectory of positive tests as a percentage of total tests over a 14-day period; and hospitals with the ability to treat all patients without crisis care and a robust testing program for at-risk healthcare workers.

On April 20, 2020, Governor Evers announced Wisconsin's three-phased approach to reopening the State's economy, based on President Trump's guidelines, including similar criteria to be met before phase one can begin. On April 21, 2020, Republican legislators in the State filed a lawsuit challenging the legality of the Order. On May 13, 2020, the Wisconsin Supreme Court ruled that the State's Order is unlawful, invalid and unenforceable because the emergency rulemaking procedures under Section 227.24 of the Wisconsin Statutes and procedures established by the Wisconsin Legislature for rulemaking if criminal penalties were to follow were not followed in connection with the order. The Supreme Court's decision does not invalidate any local health officials' orders or prevent future local health officials' orders related to the COVID-19 pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On May 27, 2020, Governor Tony Evers announced a program titled, "Routes to Recovery: Local Government Aid Grants," which will distribute \$190 million of the State's Coronavirus Relief Fund monies to all counties, cities, villages and towns across Wisconsin for unbudgeted eligible expenditures incurred due to COVID-19 between March 1 and November 17, 2020. The State allocated funds based on population with a guaranteed minimum allocation of \$5,000. These funds will be disbursed up to the amount of the allocation after eligible expenditures are reported through the State's cost tracker application.

On July 30, 2020, Governor Evers issued Executive Order #82, declaring a public health emergency in Wisconsin to combat the spread of COVID-19. In conjunction with Executive Order #82, Governor Evers issued Emergency Order #1, requiring most people to wear face coverings when indoors, with certain exemptions in accordance with CDC guidelines. On September 22, 2020, Emergency Order #1 was extended through November 21, 2020. On November 2, 2020, the public health emergency was continued and emergency order #1 was extended through January 1, 2021.

On October 6, 2020, Emergency Order #3 was issued, which limited public gatherings to no more than 25% of the total occupancy limits for the room or building (or no more than 10 people for indoor spaces without occupancy limits), with certain exceptions. Emergency Order #3 expired November 6, 2020.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

# **VALUATIONS**

## **WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES**

### **Equalized Value**

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### **Assessed Value**

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

The economic impact of COVID-19 may impact assessed and equalized valuations of property in the State, including in the District. The District cannot predict the extent of any such changes, but a material decrease in the equalized valuations of property in the District may materially adversely affect the financial condition of the District (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

## CURRENT PROPERTY VALUATIONS

	<b>Sheboygan County</b>	<b>Manitowoc County</b>	<b>Total</b>
2020 Equalized Value	\$532,541,873	\$1,920,748	\$534,462,621
2020 Equalized Value Reduced by Tax Increment Valuation	\$528,014,473	\$1,920,748	\$529,935,221

## 2020 EQUALIZED VALUE BY MUNICIPALITY

	<b>2020 Equalized Value<sup>1</sup></b>	<b>Percent of Total Equalized Value</b>
Village of Howards Grove	\$275,610,700	51.57%
Towns:		
Meeme	1,920,748	0.36%
Herman	153,141,473	28.65%
Mosel	91,343,887	17.09%
Rhine	4,254,094	0.80%
Sheboygan Falls	<u>8,191,719</u>	<u>1.53%</u>
Total	\$534,462,621	100.00%

## TREND OF VALUATIONS

<b>Year</b>	<b>Equalized Value Reduced by Tax Increment</b>	<b>Equalized Value<sup>1</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2016	\$451,918,593	\$453,947,093	3.83%
2017	473,544,239	476,869,839	5.05%
2018	482,258,085	485,781,485	1.87%
2019	514,063,322	518,443,622	6.72%
2020	529,935,221	534,462,621	3.09%

**Source:** Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

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<sup>1</sup> Includes tax increment valuation.

## LARGER TAXPAYERS<sup>1</sup>

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2019 Equalized Value<sup>2</sup></b>	<b>Percent of District's Total Equalized Value</b>
Kohler Company	Manufacture	\$27,769,242	5.20%
Alta Vista Senior Living Portfolio, LLC	Senior Facility	3,655,586	0.68%
JGSS, LLC	Commercial	2,237,400	0.42%
Fresh Brands Black Trust	Grocery Store	1,811,907	0.34%
Aurora Medical Group, Inc.	Medical Clinic	1,710,480	0.32%
Zimco Investments, LLC	Commercial	1,235,363	0.23%
Highland Crossing Dairy, LLC	Manufacture	1,187,255	0.22%
Individual	Residential	1,115,271	0.21%
Cleveland State Bank	Financial Institution	1,050,039	0.20%
Individual	Residential	<u>1,046,087</u>	<u>0.20%</u>
<b>Total</b>		<b>\$42,818,630</b>	<b>8.01%</b>
District's Total 2019 Equalized Value <sup>3</sup>		\$534,462,621	

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<sup>1</sup> Provided by municipalities within the District.

<sup>2</sup> Calculated by dividing the 2019 Assessed Values by the 2019 Aggregate Ratio of assessment for the municipality in which the property is located.

<sup>3</sup> Includes tax increment valuation.



## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Bonds)*	<u><u>\$ 8,754,266</u></u>
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### DEBT LIMIT

The constitutional general obligation debt limit for Wisconsin school districts which offer no less than grades 1-12 and qualify for the highest level of state aid (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 10% of the current equalized value.

2020 Equalized Value	\$ 534,462,621
Multiply by 10%	<u>0.1</u>
Statutory Debt Limit	\$ 53,446,262
Less: General Obligation Debt*	<u>(8,754,266)</u>
Unused Debt Limit*	<u><u>\$ 44,691,996</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

School District of Howards Grove  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 02/11/2021)

Dated Amount Maturity	School Building Bonds Series 2011A		Refunding Bonds Series 2012A		Promissory Notes Series 2015		Taxable School Building and Improvement Bonds Series 2017A		Refunding Bonds 1) Series 2021A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2021	220,000	59,460	240,000	22,500	62,175	5,825	0	169,640	15,000	4,656	537,175	262,081	799,256	8,217,091	6.14%	2021
2022	230,000	52,930	245,000	17,650	64,506	3,494	0	169,640	250,000	6,653	789,506	250,366	1,039,873	7,427,585	15.15%	2022
2023	235,000	45,838	245,000	12,750	27,585	1,075	0	169,640	250,000	5,340	757,585	234,642	992,227	6,670,000	23.81%	2023
2024	305,000	37,315	255,000	7,750			0	169,640	310,000	3,723	870,000	218,428	1,088,428	5,800,000	33.75%	2024
2025	320,000	27,155	260,000	2,600			0	169,640	320,000	1,753	900,000	201,148	1,101,148	4,900,000	44.03%	2025
2026	105,000	10,938					0	169,640	95,000	356	200,000	180,934	380,934	4,700,000	46.31%	2026
2027							355,000	164,138			355,000	164,138	519,138	4,345,000	50.37%	2027
2028							370,000	152,715			370,000	152,715	522,715	3,975,000	54.59%	2028
2029							380,000	140,430			380,000	140,430	520,430	3,595,000	58.93%	2029
2030							395,000	127,153			395,000	127,153	522,153	3,200,000	63.45%	2030
2031							405,000	112,950			405,000	112,950	517,950	2,795,000	68.07%	2031
2032							425,000	97,904			425,000	97,904	522,904	2,370,000	72.93%	2032
2033							440,000	82,008			440,000	82,008	522,008	1,930,000	77.95%	2033
2034							455,000	65,336			455,000	65,336	520,336	1,475,000	83.15%	2034
2035							475,000	47,780			475,000	47,780	522,780	1,000,000	88.58%	2035
2036							490,000	29,323			490,000	29,323	519,323	510,000	94.17%	2036
2037							510,000	9,945			510,000	9,945	519,945	0	100.00%	2037
	1,415,000	233,635	1,245,000	63,250	154,266	10,394	4,700,000	2,047,520	1,240,000	22,480	8,754,266	2,377,278	11,131,544			

\* Preliminary, subject to change.

1) This issue will refund the 2022 through 2026 maturities of the District's \$3,400,000 General Obligation School Building Bonds, Series 2011A, dated June 13, 2011.

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2020 Equalized Value<sup>2</sup></b>	<b>% In District</b>	<b>Total G.O. Debt<sup>3</sup></b>	<b>District's Proportionate Share</b>
Counties:				
Sheboygan County	\$10,875,259,800	4.8968%	\$22,585,000	\$1,105,942
Manitowoc County	6,015,000,200	0.0319%	26,695,000	8,516
Towns:				
Rhine	403,353,400	1.0547%	422,404	4,455
Sheboygan Falls	248,660,900	3.2943%	1,247,489	41,096
Village of Howards Grove	275,610,700	100.0000%	333,949	333,949
Lakeshore Technical College	17,270,919,932	3.0946%	29,780,000	921,572
District's Share of Total Overlapping Debt				<u><u>\$2,415,530</u></u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

<sup>2</sup> Includes tax increment valuation.

<sup>3</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$534,462,621</b>	<b>Debt/ Per Capita 6,114<sup>1</sup></b>
Total General Obligation Debt (includes the Bonds)*	\$ 8,754,266	1.64%	\$1,431.84
District's Share of Total Overlapping Debt	<u>2,415,530</u>	<u>0.45%</u>	<u>395.08</u>
Total*	\$11,169,796	2.09%	\$1,826.92

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The District has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The District plans to issue approximately \$30,000,000 General Obligation Bonds in a referendum election that would require voter approval in April 2021.

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<sup>1</sup> Estimated 2019 population.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

<b>Tax Year</b>	<b>Levy for District Purposes Only</b>	<b>% Collected</b>	<b>Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000</b>
2016/17	\$4,053,582	100.00%	\$8.97
2017/18	4,421,147	100.00%	9.34
2018/19	4,291,843	100.00%	8.90
2019/20	4,556,534	100.00%	8.86
2020/21	4,697,191	- In Process of Collection -	8.86

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. On April 15, 2020, Governor Tony Evers signed into law 2020 Wisconsin Act 185, which provides that for property taxes payable in 2020, a taxation district may, after making a general or case-by-case finding of hardship, choose to waive interest or penalties on property tax installment payments paid after April 1, 2020 but on or before October 1, 2020. In order to take such action, the county board of supervisors must first adopt a resolution authorizing such waiver and determining criteria for determining hardship and the taxation district must subsequently adopt a similar resolution. In the case of a county adopting such a resolution, the county shall proportionally settle with the taxation districts any taxes, interest and penalties collected on or before July 31, 2020 on August 20, 2020, and settle the remaining unpaid taxes, interest, and penalties on September 20, 2020. The County and the District have not yet adopted such resolutions. The District cannot predict whether and how much payment of property taxes will be impacted by COVID-19 this year or in future years. Any delays or reduction in the receipt of property taxes may materially adversely impact the District's finances and payment of debt obligations, including the Bonds.

## PROPORTIONATE LEVY AMOUNTS

	2020 Equalized Value <sup>1</sup>	Percent of Levy	Amount of Levy
Village of Howards Grove	\$275,610,700	51.57%	\$2,422,238.80
Towns:			
Meeme	1,920,748	0.36%	16,880.73
Herman	153,141,473	28.65%	1,345,902.82
Mosel	91,343,887	17.09%	802,787.07
Rhine	4,254,094	0.80%	37,387.63
Sheboygan Falls	<u>8,191,719</u>	<u>1.53%</u>	<u>71,993.94</u>
Total	<u>\$534,462,621</u>	<u>100.00%</u>	<u>\$4,697,191.00</u>

**Source:** Wisconsin Department of Revenue, Bureau of Equalization.

## REVENUE LIMITS FOR WISCONSIN SCHOOL DISTRICTS

The Wisconsin Statutes impose revenue limits on Wisconsin school districts, including the District. The Wisconsin Statutes previously allowed for some annual per pupil increases without voter approval, but the current Wisconsin Statutes prohibit any increase without voter approval. Under the current Wisconsin statutes, school districts cannot increase their average revenues per pupil for the 2015-16 school year or any school year thereafter unless they seek voter approval at referendum. These provisions of the Wisconsin Statutes may change in the future.

The revenue limit is increased by funds needed for payment of debt service on general obligation debt authorized before the effective date of the revenue limit statutes (August 12, 1993) (the "Effective Date") and debt service on obligations issued to refund such debt. Debt authorized after the Effective Date is exempt from the revenue limits if approved at a referendum, as is debt service on obligations issued to refund such debt.

Pursuant to the Parameters Resolution, the District levied a direct annual irrepealable tax sufficient to pay the principal of and interest on the Bonds. While the tax levied to repay the principal of and interest on the Bonds is subject to the revenue limits, the provisions of Section 121.92(2)(C) of the Wisconsin Statutes provide that no penalties for exceeding the revenue limit can reduce the property taxes levied for the purpose of paying the principal of and interest on valid bonds or notes issued by the District. However, to the extent that funds levied to pay debt service on the Bonds use up amounts available within the revenue limits, there would be fewer funds remaining within the revenue limits to finance District operations.

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<sup>1</sup> Excludes tax increment valuation.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools <sup>1</sup>	County	Local	Other <sup>2</sup>	Total
<b><i>Village of Howards Grove</i></b>					
2015/16	\$10.35	\$5.98	\$3.46	\$0.17	\$19.96
2016/17	9.77	5.86	3.41	0.17	19.21
2017/18	10.16	5.61	3.26	0.00	19.03
2018/19	9.70	5.49	3.18	0.00	18.36
2019/20	9.66	5.42	3.02	0.00	18.09
<b><i>Town of Herman</i></b>					
2015/16	\$10.58	\$6.12	\$1.81	\$0.17	\$18.68
2016/17	9.99	6.00	2.07	0.17	18.24
2017/18	10.37	5.85	2.34	0.00	18.55
2018/19	9.89	5.68	2.64	0.00	18.21
2019/20	10.10	5.12	0.64	0.00	15.86
<b><i>Town of Mosel</i></b>					
2015/16	\$17.35	\$9.38	\$2.34	\$0.27	\$29.33
2016/17	16.14	9.17	2.30	0.27	27.88
2017/18	16.12	8.85	2.27	0.00	27.24
2018/19	15.89	8.85	2.30	0.00	27.04
2019/20	15.63	8.66	0.19	0.00	24.47

**Source:** Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

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<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and the technical college district.

<sup>2</sup> Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

# **THE ISSUER**

## **ORGANIZATION OF THE DISTRICT**

Organized as a K-12 common school district, the District is governed by a five-member School Board (the "Board") elected for three-year staggered terms. The elected Board in turn elects a President, Vice President, Clerk and Treasurer from its members. The appointed District Administrator and the Board, which meets once a month, are charged with the administration, management, control and supervision of the District.

## **EMPLOYEES; PENSIONS**

The District employs a staff of 147, including 38 non-licensed employees and 109 licensed employees (71 of whom are teachers).

### **Wisconsin Retirement System**

All eligible employees in the District are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

District employees are required to contribute half of the actuarially determined contributions, and the District may not pay the employees' required contribution. The total retirement plan contributions (including both the District's and the employees' contributions) for the fiscal year ended December 31, 2018 were \$377,454. During the fiscal year ended December 31, 2019 ("Fiscal Year 2019") and the fiscal year ended December 31, 2020 ("Fiscal Year 2020"), the District's portion of contributions to WRS (not including any employee contributions) totaled \$381,146 and \$397,319 respectively.

The District implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2016.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2019, the total pension liability of the WRS was calculated as \$108.87 billion and the fiduciary net position of the WRS was calculated as \$112.09 billion, resulting in a net pension asset of \$3.22 billion. The spread of COVID-19 has significantly impacted investment markets, which may impact the funded status of the WRS and future contribution requirements as a result (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).



Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2020, the District reported an asset of \$1,193,092 for its proportionate share of the net pension asset of the WRS. The net pension liability was measured as of December 31, 2019 based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. The District's proportion was .03700136% of the aggregate WRS net pension asset as of December 31, 2019.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

### **Recognized and Certified Bargaining Units**

All eligible District personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have limited rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the District is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the District is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless District were to seek approval for a higher increase through a referendum). Ultimately, the District can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the District, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the Courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement.

Due to the changes described above, the Board is free to unilaterally determine and promulgate policies, benefits and other terms and conditions of employment. Accordingly the Board approved an employee handbook which sets forth policies, procedures and benefits for employees of the nature that were previously set forth in labor contracts. The employee handbook's terms are subject to change at the sole discretion of the District and are not subject to grievance or arbitration by the unions. However, under the changes to MERA, the Board, rather than an arbitrator, is the final decision-maker regarding any grievances, though the grievance must be heard by an impartial hearing officer before reaching the Board.

The District does not have any bargaining units.

### **OTHER POST EMPLOYMENT BENEFITS**

The District does not pay directly for retirees' post-employment benefits. The District has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the District is required to allow retirees to be covered by the District's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the District to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. If, in the future, the District were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the District could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the District is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the District could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the District; (b) to any particular assets of the District, or (c) to revenues otherwise designated for payment to holders of the Bonds.

## FUNDS ON HAND (As of November 30, 2020)

<b>Fund</b>	<b>Amount</b>
General Checking Sweep	\$ 1
Money Market	1,347,218
Capital Projects Fund	100
Debt Service Savings	15,217
Non Referendum Debt Service Savings	493
Local Government Investment Pool	210,888
Total Cash and Investments	<u>\$1,573,917</u>

## STUDENT BODY

The number of students in average daily attendance for the past four years and for the current year is as follows:

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2016/17	103	381	367	851
2017/18	102	401	378	881
2018/19	125	393	383	901
2019/20	114	411	379	904
2020/21	119	389	408	916

Enrollments for the next three years are projected to be as follows:

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2021/22	126	390	414	930
2022/23	122	379	433	934
2023/24	114	373	438	925

## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/Remodelings</b>
Northview Elementary School	1972	1972, 1976, 1987, 1993, 2005, 2012
Howards Grove Middle School	1960	1960, 1965, 1967, 1972, 1976, 1987, 1993, 2011
Howards Grove High School	1993	1994, 1999, 2012, 2018
Howards Grove Center for the Arts (Auditorium)	2018	--

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				2020-21 Adopted Budget 1)
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	
Revenues					
Property taxes	\$3,445,747	\$3,560,062	\$3,506,270	\$3,253,534	\$3,212,691
Other local sources	125,478	130,779	134,294	130,805	137,011
Interdistrict sources	877,969	1,121,661	1,207,887	1,227,610	1,405,581
Intermediate sources	1,200	0	0	0	0
State sources	5,427,134	5,485,236	5,789,530	6,021,720	6,181,155
Federal sources	272,007	264,580	284,687	255,589	310,287
Other sources	53,896	40,333	52,118	75,412	76,822
<b>Total Revenues</b>	<b>\$10,203,431</b>	<b>\$10,602,651</b>	<b>\$10,974,786</b>	<b>\$10,964,670</b>	<b>\$11,323,547</b>
Expenditures					
Current:					
Regular instruction	\$3,692,336	\$3,674,585	\$3,811,536	\$3,802,286	\$3,990,966
Vocational instruction	347,181	371,710	380,679	342,431	366,154
Special education instruction	1,013,508	1,048,174	1,131,237	1,154,327	1,236,022
Other instruction	404,611	416,988	442,364	490,640	456,603
Support services	3,865,068	4,212,200	4,456,779	4,230,281	4,458,853
Debt service	900	1,350	1,450	1,450	900
Non-program	885,309	831,538	863,809	820,767	814,049
<b>Total Expenditures</b>	<b>\$10,208,913</b>	<b>\$10,556,545</b>	<b>\$11,087,854</b>	<b>\$10,842,182</b>	<b>\$11,323,547</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(\$5,482)</b>	<b>\$46,106</b>	<b>(\$113,068)</b>	<b>\$122,488</b>	<b>\$0</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	\$0	\$0	\$9,400	\$0	
Transfers in	0	0	0	0	
Transfers out	(50,000)	(46,106)	0	0	
<b>Total Other Financing Sources (Uses)</b>	<b>(\$50,000)</b>	<b>(\$46,106)</b>	<b>\$9,400</b>	<b>\$0</b>	
<b>Net changes in Fund Balances</b>	<b>(\$55,482)</b>	<b>\$0</b>	<b>(\$103,668)</b>	<b>\$122,488</b>	
General Fund Balance July 1	\$3,422,164	\$3,366,682	\$3,366,682	\$3,263,014	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$3,366,682	\$3,366,682	\$3,263,014	\$3,385,502	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$9,160	\$81,013	\$13,011	\$3,793	
Restricted	0	0	24,843	7,366	
Committed	160,000	285,000	285,000	289,655	
Unassigned	3,197,522	3,000,669	2,940,160	3,084,688	
<b>Total</b>	<b>\$3,366,682</b>	<b>\$3,366,682</b>	<b>\$3,263,014</b>	<b>\$3,385,502</b>	

1) The 2020-21 Budget was adopted on November 16, 2020.

## GENERAL INFORMATION

### LOCATION

The District, with a 2010 U.S. Census population of 5,764 and a current population estimate of 6,114, and comprising an area of 55 square miles, is located approximately 8 miles northwest of the City of Sheboygan.

### LARGER EMPLOYERS<sup>1</sup>

Firm	Type of Business/Product	Estimated No. of Employees
Kohler Company	Plumbing fixtures	2,000
Acuity Insurance	Home, auto and business insurance	1,078
Rockline, Inc.	Paper housewares manufacturers	890
Vollrath Company, LLC	Service industry machinery manufacturers	850
Aurora Health	Hospitals and clinic	800
Old Wisconsin Sausage	Sausage wholesale	600
Piggly Wiggly	Grocers-retail	575
Plastics Engineering Company	Plastics- raw materials/powder/resin manufacturers	400
Pentair Filtration, Inc.	Water treatment equipment services and supplies	380
Howards Grove School District	Elementary and secondary education	380
HSHS St. Nicholas Hospital	Hospitals and clinic	373

**Source:** *ReferenceUSA, written and telephone survey (November 2020), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "RISK FACTORS - Impact of the Spread of COVID-19").

## U.S. CENSUS DATA

### Population Trend: The District

2000 U.S. Census population	5,484
2010 U.S. Census population	5,764
2019 Current Estimated Population	6,114
Percent of Change 2000 - 2010	+ 5.11%

### Income and Age Statistics

	<b>The District</b>	<b>Sheboygan County</b>	<b>State of Wisconsin</b>	<b>United States</b>
2019 per capita income	\$32,157	\$31,510	\$33,375	\$34,103
2019 median household income	\$81,699	\$60,696	\$61,747	\$62,843
2019 median family income	\$90,640	\$75,883	\$78,679	\$77,263
2019 median gross rent	\$695	\$727	\$856	\$1,062
2019 median value owner-occupied	\$196,300	\$159,700	\$180,600	\$217,500
2019 median age	40.6 yrs.	41.5 yrs.	39.5 yrs.	38.1 yrs.

	<b>State of Wisconsin</b>	<b>United States</b>
District % of 2019 per capita income	96.35%	94.29%
District % of 2019 median family income	115.20%	117.31%

**Source:** 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
	<b>Sheboygan County</b>	<b>Sheboygan County</b>	<b>State of Wisconsin</b>
2016	59,732	3.4%	4.6%
2017	60,854	2.8%	4.0%
2018	60,949	2.5%	3.3%
2019	60,436	2.7%	3.0%
2020, October <sup>1</sup>	59,920	3.9%	4.9%

**Source:** Employment/unemployment data was furnished by the Wisconsin Department of Workforce Development.

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<sup>1</sup> Preliminary.

## **APPENDIX A**

### **FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
School District of Howards Grove  
Howards Grove, 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 School District of Howards Grove, Howards Grove, Wisconsin (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 auditors consider 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1.B., during 2020, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. As a result, the District identified activities previously reported as fiduciary activities that no longer meet the definition of a fiduciary activity. In prior years, these amounts were reported in the student activity and scholarship funds. 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 budgetary comparison information and the schedules relating to pensions on pages 34 through 36 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.

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual 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 *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 November 24, 2020, 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  
November 24, 2020

**SCHOOL DISTRICT OF HOWARDS GROVE**  
**HOWARDS GROVE, WISCONSIN**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,883,920
Receivables:	
Taxes	1,138,937
Accounts	3,999
Due from Other Governments	246,554
Inventories and Prepaid Items	4,285
Net Pension Asset	1,193,092
Capital Assets:	
Nondepreciable	173,959
Depreciable, Net	<u>16,072,323</u>
Total Assets	<u>21,717,069</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related Amounts	<u>2,606,643</u>
 <b>LIABILITIES</b>	
Accounts Payable	36,160
Accrued and Other Current Liabilities	372,214
Accrued Interest Payable	42,300
Unearned Revenues	30,673
Long-Term Obligations:	
Due in One Year	516,854
Due in More than One Year	<u>7,033,676</u>
Total Liabilities	<u>8,031,877</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related Amounts	<u>3,573,802</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	8,844,698
Restricted	1,611,304
Unrestricted	<u>2,262,031</u>
 Total Net Position	<u><u>\$ 12,718,033</u></u>

See accompanying Notes to Basic Financial Statements.

**SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 5,968,721	\$ 1,233,594	\$ 1,518,891	\$ (3,216,236)
Support Services	4,438,374	141,306	260,597	(4,036,471)
Non-Program	820,767	-	18,085	(802,682)
Interest and Fiscal Charges	269,819	-	-	(269,819)
Depreciation - Unallocated	759,567	-	-	(759,567)
Total Governmental Activities	<u>\$ 12,257,248</u>	<u>\$ 1,374,900</u>	<u>\$ 1,797,573</u>	(9,084,775)
<b>GENERAL REVENUES</b>				
Property Taxes				4,556,534
State and Federal Aids not Restricted to Specific Functions				4,914,455
Interest and Investment Earnings				14,668
Miscellaneous				99,883
Total General Revenues				<u>9,585,540</u>
<b>CHANGE IN NET POSITION</b>				
				500,765
Fund Balances - July 1, originally stated				12,188,821
Cumulative Effect of Change in Accounting Principle				<u>28,447</u>
Fund Balances - July 1, as restated				<u>12,217,268</u>
<b>NET POSITION - JUNE 30</b>				
				<u>\$ 12,718,033</u>

See accompanying Notes to Basic Financial Statements.

**SCHOOL DISTRICT OF HOWARDS GROVE**  
**HOWARDS GROVE, WISCONSIN**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and Investments	\$ 2,410,849	\$ 473,071	\$ 2,883,920
Receivables:			
Taxes	1,138,937	-	1,138,937
Accounts	3,999	-	3,999
Due from Other Funds	100	-	100
Due from Other Governments	227,150	19,404	246,554
Inventories and Prepaid Items	3,793	492	4,285
	<u>3,784,828</u>	<u>492,967</u>	<u>4,277,795</u>
Total Assets	<u>\$ 3,784,828</u>	<u>\$ 492,967</u>	<u>\$ 4,277,795</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 14,624	\$ 21,536	\$ 36,160
Accrued and Other Current Liabilities	372,214	-	372,214
Due to Other Funds	-	100	100
Unearned Revenues	12,488	18,185	30,673
Total Liabilities	<u>399,326</u>	<u>39,821</u>	<u>439,147</u>
<b>FUND BALANCES</b>			
Nonspendable	3,793	492	4,285
Restricted	7,366	452,654	460,020
Committed	289,655	-	289,655
Unassigned	3,084,688	-	3,084,688
Total Fund Balances	<u>3,385,502</u>	<u>453,146</u>	<u>3,838,648</u>
Total Liabilities and Fund Balances	<u>\$ 3,784,828</u>	<u>\$ 492,967</u>	<u>\$ 4,277,795</u>

See accompanying Notes to Basic Financial Statements.

**SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
RECONCILIATION OF THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS  
JUNE 30, 2020**

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Total Fund Balances as Shown on Previous Page	\$ 3,838,648
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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.	16,246,282
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Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.

Deferred Outflows Related to Pensions	2,606,643
Deferred Inflows Related to Pensions	(3,573,802)

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

Bonds and Notes Payable	(7,508,946)
Premium on Debt	(41,584)
Net Pension Asset	1,193,092
Accrued Interest on Long-Term Obligations	<u>(42,300)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u><u>\$ 12,718,033</u></u>
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*See accompanying Notes to Basic Financial Statements.*



**SCHOOL DISTRICT OF HOWARDS GROVE**  
**HOWARDS GROVE, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General	Other Governmental Funds	Total
<b>REVENUES</b>			
Property Taxes	\$ 3,253,534	\$ 1,303,000	\$ 4,556,534
Other Local Sources	130,805	385,446	516,251
Interdistrict Sources	1,227,610	-	1,227,610
State Sources	6,021,720	3,345	6,025,065
Federal Sources	255,589	88,636	344,225
Other Sources	75,412	4,926	80,338
Total Revenues	<u>10,964,670</u>	<u>1,785,353</u>	<u>12,750,023</u>
<b>EXPENDITURES</b>			
Instruction:			
Regular Instruction	3,802,286	27,127	3,829,413
Vocational Instruction	342,431	1,258	343,689
Special Education Instruction	1,154,327	-	1,154,327
Other Instruction	490,640	115,539	606,179
Total Instruction	<u>5,789,684</u>	<u>143,924</u>	<u>5,933,608</u>
Support Services:			
Pupil Services	520,934	345	521,279
Instructional Staff Services	477,465	1,560	479,025
General Administration Services	321,930	-	321,930
School Administration Services	663,234	760	663,994
Business Services	270,225	-	270,225
Operations and Maintenance of Plant	992,831	1,392	994,223
Pupil Transportation Services	510,254	2,139	512,393
Food Services	-	292,862	292,862
Central Services	122,994	915	123,909
Insurance	137,411	-	137,411
Other Support Services	213,003	1,047	214,050
Total Support Services	<u>4,230,281</u>	<u>301,020</u>	<u>4,531,301</u>
Debt Service:			
Principal	-	1,029,341	1,029,341
Interest and Fiscal Charges	1,450	277,069	278,519
Total Debt Service	<u>1,450</u>	<u>1,306,410</u>	<u>1,307,860</u>
Non-Program:			
General Tuition Payments	708,051	-	708,051
Co-Curricular Cooperative Program	92,639	-	92,639
Special Education Tuition Payments	18,085	-	18,085
Adjustments and Refunds	1,992	-	1,992
Post-Secondary Scholarship	-	300	300
Total Non-Program	<u>820,767</u>	<u>300</u>	<u>821,067</u>
Total Expenditures	<u>10,842,182</u>	<u>1,751,654</u>	<u>12,593,836</u>
Excess of Revenues Over (Under) Expenditures	<u>122,488</u>	<u>33,699</u>	<u>156,187</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>122,488</u>	<u>33,699</u>	<u>156,187</u>
Fund Balances - July 1, originally stated	3,263,014	391,000	3,654,014
Cumulative Effect of Change in Accounting Principle	-	28,447	28,447
Fund Balances - July 1, as restated	<u>3,263,014</u>	<u>419,447</u>	<u>3,682,461</u>
<b>FUND BALANCES - JUNE 30</b>	<u><u>\$ 3,385,502</u></u>	<u><u>\$ 453,146</u></u>	<u><u>\$ 3,838,648</u></u>

See accompanying Notes to Basic Financial Statements.

**SCHOOL DISTRICT OF HOWARDS GROVE**  
**HOWARDS GROVE, WISCONSIN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances as Shown on Previous Page	\$ 156,187
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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	129,634
Depreciation Expense Reported in the Statement of Activities	(759,567)

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.

Principal Repaid	1,029,341
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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	8,700
Amortization of Premium on Debt	8,457
Net Pension Liability (Asset)	2,512,833
Deferred Outflows of Resources Related to Pensions	(829,492)
Deferred Inflows of Resources Related to Pensions	(1,755,328)
	(1,755,328)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see page 5)	\$ 500,765
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*See accompanying Notes to Basic Financial Statements.*

**SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	Private Purpose Trust
<b>ASSETS</b>	
Cash and Investments	\$ -
<b>LIABILITIES</b>	
Accounts Payable	-
Due to Student Organizations	-
Total Liabilities	-
<b>NET POSITION</b>	
Restricted	\$ -

*See accompanying Notes to Basic Financial Statements.*

**SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

**ADDITIONS**

Other Local Sources	\$ 15
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**DEDUCTIONS**

Trust Fund Disbursements	1,235
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**CHANGE IN NET POSITION**

(1,220)

Net Position - July 1

1,220

**NET POSITION - JUNE 30**

\$ -

*See accompanying Notes to Basic Financial Statements.*

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District of Howards Grove, 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 common school district. The District, governed by an elected five member board, operates grades 4K through 12 and is comprised of all or parts of six 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. Government-Wide and Fund Financial Statements**

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

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.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fund (Continued)

Additionally, the District reports the following 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.

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Investments

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

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 20<sup>th</sup> of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

5. Inventories

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

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

6. Prepaid Items

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

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

7. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Capital Assets (Continued)

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	10 - 50	
Buildings and Improvements	10 - 50	
Machinery and Equipment	3 - 20	

8. 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.

9. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

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

11. 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 the Superintendent or designee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance. Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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



SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. 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.

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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 \$2,883,920 on June 30, 2020 as summarized below:

Petty Cash and Cash on Hand	\$	2,365
Deposits with Financial Institutions		2,670,778
Investments:		
Wisconsin Local Government Investment Pool		210,777
Total	\$	<u>2,883,920</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	<u>\$ 2,883,920</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.

*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 District does not have an additional custodial credit policy.



SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

As of June 30, 2020, \$2,030,228 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The entire amount was collateralized with securities held by the pledging financial institution but not in the District's name.

**Investment in Wisconsin Local Government Investment Pool**

The District has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$210,777 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Nondepreciable:				
Land	\$ 143,266	\$ 30,683	\$ -	\$ 173,959
Total Capital Assets, Nondepreciable	143,266	30,683	-	173,959
Capital Assets, Depreciable:				
Land Improvements	1,908,495	-	-	1,908,495
Buildings and Improvements	26,998,393	-	-	26,998,393
Machinery and Equipment	1,960,716	98,941	9,500	2,050,157
Subtotals	30,867,604	98,941	9,500	30,957,045
Less Accumulated Depreciation for:				
Land Improvements	1,476,613	77,171	-	1,553,784
Buildings and Improvements	11,133,861	553,062	-	11,686,913
Machinery and Equipment	1,524,191	128,334	9,500	1,644,025
Subtotals	14,134,665	759,567	9,500	14,884,722
Total Capital Assets, Depreciable, Net	16,732,949	(660,626)	-	16,072,323
Governmental Activities Capital Assets, Net	\$ 16,876,215	\$ (629,933)	\$ -	\$ 16,246,282
Less: Capital Related Debt				7,401,584
Net Investment in Capital Assets				\$ 8,844,698

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

Governmental Activities:  
Unallocated

\$ 759,567

**C. Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2020 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General	\$ 100	\$ -
Nonmajor Funds - Capital Projects	\$ -	\$ 100
Total	\$ 100	\$ 100

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds	\$ 8,330,000	\$ -	\$ 970,000	\$ 7,360,000	\$ 460,000
Notes	205,287	-	59,341	145,946	55,854
Total General Obligation Debt	8,535,287	-	1,029,341	7,505,946	516,854
Debt Premium	50,041	-	8,457	41,584	-
Governmental Activities					
Long-Term Obligations	\$ 8,585,328	\$ -	\$ 1,037,798	\$ 7,550,530	\$ 516,854

Total interest paid during the year on long-term debt totaled \$275,504.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
General Obligation Bonds	8/1/11	4/1/26	1.00 - 3.50%	\$ 3,400,000	\$ 1,415,000
General Obligation Bonds	1/20/12	6/30/25	2.00%	2,375,000	1,245,000
General Obligation Notes	1/25/15	10/1/22	3.75%	432,743	146,946
General Obligation Bonds	4/20/17	10/1/27	3.10 - 3.90%	4,700,000	4,700,000
Total Outstanding General Obligation Debt					\$ 7,505,946

Annual principal and interest maturities of the outstanding general obligation debt of \$7,508,946 on June 30, 2020 are detailed below:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 516,854	\$ 244,705	\$ 761,559
2022	539,506	231,414	770,920
2023	507,586	217,195	724,781
2024	560,000	203,936	763,936
2025	580,000	189,076	769,076
2026-2030	1,605,000	782,451	2,387,451
2031-2035	2,200,000	446,720	2,646,720
2036-2037	1,000,000	58,645	1,058,645
Total	\$ 7,508,946	\$ 2,374,142	\$ 9,883,088

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2020 was \$44,335,416 as follows:

Equalized Valuation of the District	\$ 518,443,622
Statutory Limitation Percentage	(x) 10%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	51,844,362
Total Outstanding General Obligation Debt Applicable to Debt Limitation	7,508,946
Legal Margin for New Debt	<u>\$ 44,335,416</u>

E. Pension Plan

WRS Pension Plan

Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

For employees beginning participation on or after January 1, 1980, 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 occupation employees; 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

Plan Description (Continued)

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.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)	22
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	(10)

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

WRS Pension Plan (Continued)

Contributions

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

During the year ending June 30, 2020, the WRS recognized \$397,319 in contributions from the District.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (Including Teachers, Executives and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At June 30, 2020, the District reported an asset of \$1,193,092 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was .03700136%, which was a decrease of .00009414% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$461,399.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

WRS Pension Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,264,762	\$ 1,133,361
Net Differences Between Projected and Actual Earnings on Pension Plan Investments		2,439,105
Changes in Assumptions	92,973	
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,813	1,336
Employer Contributions Subsequent to the Measurement Date	243,095	
Total	<u>\$ 2,606,643</u>	<u>\$ 3,573,802</u>

The \$243,095 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 ending June 30, 2021.

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

Year Ending June 30,	Expense
2021	\$ (355,894)
2022	(268,746)
2023	41,809
2024	(627,423)
Total	<u>\$ (1,210,254)</u>

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

WRS Pension Plan (Continued)

Actuarial Assumptions

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

Actuarial Valuation Date	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.0%
Discount Rate	7.0%
Salary Increases:	
Initiation	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 2019 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.



SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

WRS Pension Plan (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:

Core Fund Asset Class:	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %		Long-Term Expected Real Rate of Return %
		Expected	Nominal	
Global Equities	49%	8.0%		5.1%
Fixed Income	24.5%	4.9%		2.1%
Inflation Sensitive Assets	15.5%	4.0%		1.2%
Real Estate	9%	6.3%		3.5%
Private Equity/Debt	8%	10.6%		7.6%
Multi-Asset	4%	6.9%		4.0%
Cash	-10%	0.9%		N/A
Total Core Fund Variable Fund Asset Class:	100%	7.5%		4.6%
U.S. Equities	70%	7.5%		4.6%
International Equities	30%	8.2%		5.3%
Total Variable Fund	100%	7.8%		4.9%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

WRS Pension Plan (Continued)

Single Discount Rate

Single Discount Rate. A single discount rate of 7.0% 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 7.0% and a long-term bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members' contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

District's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease to Discount Rate (6.0%)		Current Discount Rate (7.0%)		1% Increase to Discount Rate (8.0%)	
	\$	3,072,427	\$	(1,193,092)	\$	(4,382,059)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available separately in financial statements available at <http://eff.wi.gov/about-efr/reports-and-studies/financial-reports-and-statements>.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$166,036 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Fund Equity

Nonspendable Fund Balance

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

General Fund:	
Inventories and Prepaid Items	\$ 3,793
Special Revenue Trust	
Inventories and Prepaid Items	492
Total Nonspendable Fund Balance	<u>\$ 4,285</u>

Restricted Fund Balance

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

General Fund:	
Restricted for:	
Common Schools Grant	\$ 7,366
Special Revenue Funds:	
Restricted for:	
Donations	162,898
Food Service	19,152
Debt Service Funds:	
Restricted for:	
Non-Referendum Debt Service	493
Referendum Debt Service	137,008
Capital Projects Fund:	
Restricted for:	
Capital Improvement Trust	133,103
Total Restricted Fund Balance	<u>\$ 460,020</u>

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Fund Equity (Continued)

Committed Fund Balance

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

General Fund:	
Committed for:	
Curriculum/Professional Development	\$ 25,000
Facilities	100,000
Technology	100,000
Capital Improvement Trust Fund (Fund 46)	
Career & Technical Education	50,000
Total General Fund Committed	<u>14,855</u>
Fund Balance	<u>\$ 289,655</u>

Net Position

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

Governmental Activities:	
Restricted for:	
Common Schools Grant	\$ 7,366
Net Pension Asset	1,193,092
Donations	163,390
Food Service	19,152
Capital Improvement Trust	133,103
Debt Service	95,201
Total Restricted Net Position	<u>\$ 1,611,304</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.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

**B. Contingencies**

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

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

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

**E. 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 reporting periods beginning after June 15, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 3,245,029	\$ 3,253,534	\$ 3,253,534	\$ -
Other Local Sources	127,792	124,367	125,461	1,114
Interdistrict Sources	1,237,179	1,228,260	1,227,610	(650)
State Sources	5,986,965	5,703,197	5,709,236	6,039
Federal Sources	53,869	52,359	53,263	3,904
Other Sources	53,800	53,800	53,800	0
Total revenues	10,426,109	10,418,655	10,443,565	26,702
<b>EXPENDITURES</b>				
Instruction:				
Regular Instruction	3,881,683	3,783,830	3,802,286	(18,456)
Vocational Instruction	331,342	351,594	342,431	9,163
Other Instruction	457,625	517,428	480,640	26,788
Total Instruction	4,670,660	4,652,853	4,635,357	17,488
Support Services:				
Pupil Services	306,720	304,916	307,937	(3,021)
Instructional Staff Services	446,479	464,103	458,026	6,077
General Administration Services	288,098	324,028	321,930	2,098
School Administration Services	671,979	663,058	663,234	(176)
Business Services	274,472	263,120	267,598	(4,478)
Operations and Maintenance of Plant	908,696	1,007,657	992,831	14,826
Pupil Transportation Services	589,754	478,622	480,039	(1,417)
Central Services	130,845	124,486	119,893	4,593
Insurance	129,820	128,984	137,411	(8,427)
Other Support Services	215,456	224,061	213,003	11,058
Total Support Services	3,892,319	3,883,035	3,861,902	21,133
Debt Service:				
Interest and Fiscal Charges	900	1,000	1,450	(450)
Non-Program:				
General Tuition Payments	723,711	707,851	708,051	(100)
Co-Curricular Cooperative Program	68,986	81,090	82,639	(1,549)
Total Non-Program	822,697	789,041	800,690	(1,649)
Total Expenditures	9,456,576	9,435,929	9,396,399	36,530
Excess of Revenues Over Expenditures	969,533	982,934	1,046,166	63,232
<b>OTHER FINANCING USES</b>				
Transfers Out	(969,533)	(982,934)	(973,678)	9,256
<b>NET CHANGE IN FUND BALANCE</b>				
Fund Balance - July 1	3,263,014	3,263,014	3,263,014	-
<b>FUND BALANCE - JUNE 30</b>	<b>\$ 3,263,014</b>	<b>\$ 3,263,014</b>	<b>\$ 3,355,502</b>	<b>\$ 122,488</b>

See accompanying Notes to Required Supplementary Information.

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Local Sources	\$ -	\$ -	\$ 5,324	\$ 5,324
State Sources	298,147	298,147	312,484	14,337
Federal Sources	237,607	224,206	199,326	(24,880)
Other Sources	2,000	2,000	1,971	(29)
Total Revenues	537,754	524,353	519,105	(5,248)
<b>EXPENDITURES</b>				
Instruction:				
Special Education Instruction	1,202,230	1,219,577	1,154,327	65,250
Total Instruction	1,202,230	1,219,577	1,154,327	65,250
Support Services:				
Pupil Services	226,335	224,913	212,997	11,916
Instructional Staff Services	33,573	34,495	19,439	15,056
Business Services	2,400	2,400	2,627	(227)
Pupil Transportation Services	25,354	25,354	30,215	(4,861)
Central Services	-	548	3,101	(2,553)
Total Support Services	287,662	287,710	268,379	19,331
Non-Program:				
Special Education Tuition Payments	17,395	-	18,085	(18,085)
Adjustments and Refunds	-	-	1,992	(1,992)
Total Non-Program	17,395	-	20,077	(20,077)
Total Expenditures	1,507,287	1,507,287	1,442,783	64,504
Excess of Revenues Under Expenditures	(969,533)	(982,934)	(923,678)	59,256
<b>OTHER FINANCING SOURCES</b>				
Transfers In	969,533	982,934	923,678	(59,256)
<b>NET CHANGE IN FUND BALANCE</b>				
Fund Balance - July 1	-	-	-	-
<b>FUND BALANCE - JUNE 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to Required Supplementary Information.



**SCHOOL DISTRICT OF HOWARDS GROVE**  
HOWARDS GROVE, WISCONSIN  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST TEN MEASUREMENT PERIODS\***

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

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.03882871%	\$ (953,739)	\$ 5,235,809	18.22%	102.74%
12/31/15	0.03756619%	610,433	5,173,754	11.80%	98.20%
12/31/16	0.03698227%	304,822	5,365,421	5.68%	99.12%
12/31/17	0.03681977%	(1,093,222)	5,483,358	19.94%	102.93%
12/31/18	0.03709550%	1,319,741	5,725,742	23.05%	96.45%
12/31/19	0.03700136%	(1,193,092)	5,787,408	-20.62%	102.96%

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ending	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 357,908	\$ 357,908	\$ -	\$ 5,204,044	6.88%
6/30/16	356,869	356,869	-	5,346,925	6.67%
6/30/17	366,644	366,644	-	5,450,784	6.73%
6/30/18	377,454	377,454	-	5,603,240	6.74%
6/30/19	381,146	381,146	-	5,792,797	6.58%
6/30/20	397,319	397,319	-	5,710,855	6.96%

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

See accompanying Notes to Required Supplementary Information.

**SCHOOL DISTRICT OF HOWARDS GROVE**  
HOWARDS GROVE, WISCONSIN  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

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

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 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2020.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

**Budgetary Information**

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

	General	Special Education
<b>Revenues:</b>		
Actual Amounts (Budgetary Basis)	\$ 10,445,565	\$ 519,105
Reclassification of Special Education Fund	519,105	(519,105)
<b>Total Revenues</b>	<b>10,964,670</b>	<b>-</b>
<b>Expenditures:</b>		
Actual Amounts (Budgetary Basis)	9,399,399	1,442,783
Reclassification of Special Education Fund	1,442,783	(1,442,783)
<b>Total Expenditures</b>	<b>10,842,182</b>	<b>-</b>
<b>Excess of Revenues Over (Under) Expenditures:</b>		
Actual Amounts (Budgetary Basis)	1,046,166	(923,678)
Reclassification of Special Education Fund	(923,678)	923,678
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>122,488</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>		
Actual Amounts (Budgetary Basis)	(923,678)	923,678
Reclassification of Special Education Fund	923,678	(923,678)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance:</b>		
Actual Amounts (Budgetary Basis)	122,488	-
<b>Fund Balance - July 1:</b>		
Actual Amounts (Budgetary Basis)	3,263,014	-
<b>Fund Balance - June 30:</b>		
Actual Amounts (Budgetary Basis)	\$ 3,385,502	\$ -

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

**Excess of Expenditures Over Budget Appropriations**

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

Funds	Excess Expenditures
<b>General Fund</b>	
Instruction:	
Regular Instruction	\$ 18,456
Support Services:	
Pupil Services	3,021
School Administration Services	176
Business Services	4,478
Pupil Transportation Services	1,417
Insurance	8,427
Debt Service:	
Interest and Fiscal Charges	450
Non-Program:	
Co-Curricular Cooperative Program	100
Adjustments and Refunds	1,549
<b>Special Education Fund</b>	
Support Services:	
Business Services	227
Pupil Transportation Services	4,861
Central Services	2,553
Non-Program:	
Special Education Tuition Payments	18,085

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**EXPENDITURES**

**INSTRUCTION:**

        Regular Instruction

        Vocational Instruction

        Other Instruction

**SUPPLY SERVICES:**

        Pupil Services

        School Administration Services

        Operational and Maintenance of Plant

        Pupil Transportation Services

        Food Services

        Central Services

        Other Support Services

**DEBT SERVICE:**

        Principal

        Interest and Fiscal Charges

        Total Debt Service

**Non-Program:**

        Post-Secondary Scholarship

        Total Expenditures

**NET CHANGE IN FUND BALANCES**

Fund Balances - July 1, Originally Stated

    Cumulative Effect of Change in Accounting Principle

**FUND BALANCES - JUNE 30**

Fund Balances - July 1, as Restated

Board of Education  
School District of Howards Grove

CLA (CliftonLarsonAllen LLP)  
CLAconnect.com



**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  
School District of Howards Grove  
Howards Grove, 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 School District of Howards Grove, Howards Grove, Wisconsin (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2020.

**Internal Control Over Financial Reporting**

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

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

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 certain deficiencies in internal control, described in the accompanying summary of audit results as items 2020-001 and 2020-002 that we consider to be significant deficiencies.



**Compliance and Other Matters**

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

**School District of Howards Grove's Response to Findings**

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

**Purpose of this Report**

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
November 24, 2020





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Board of Education  
School District of Howards Grove  
Howards Grove, Wisconsin

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

We have audited School District of Howards Grove's (the District) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2020. The District's major state programs are identified in the accompanying summary of auditors' results.

**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 state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements 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 state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

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



**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying summary of auditors' results as item 2020-003 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying summary of auditors' results. 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 *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Sheboygan, Wisconsin  
November 24, 2020

**SCHOOL DISTRICT OF HOWARDS GROVE**  
**HOWARDS GROVE, WISCONSIN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Number	(Accrued) Revenue 7/1/19	Cash Received (Refunded)	Accrued Revenue (Deferred) 6/30/20	Total Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Child Nutrition Cluster</i> National School Lunch Program Donated Commodities	10.555	WI DPI	A547-00000-592605	\$ (2,301)	\$ 48,782	\$ 19,404	\$ 65,885	\$ -
Total National School Lunch Program	10.555	WI DPI	N/A	-	70,471	19,404	87,574	-
Special Milk Program for Children	10.556	WI DPI	A548-00000-592605	(59)	1,121	-	1,062	-
Total U.S. Department of Agriculture				(2,360)	71,592	19,404	88,636	-
<b>U.S. DEPARTMENT OF EDUCATION</b> Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-592605-T1A-141	(12,244)	12,244	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-592605-T1A-141	-	17,324	10,068	27,392	-
Title IV Grants to Local Educational Agencies	84.424	WI DPI	2020-592605-T1VA - DPI-381	-	-	9,132	9,132	-
<i>Special Education Cluster (IDEA)</i> Special Education Grants to States	84.027	WI DPI	2019-592605-DPI-IDEA-F-341	(21,069)	21,069	-	-	-
Special Education Grants to States	84.027	WI DPI	2020-592605-DPI-IDEA-F-341	-	61,564	104,141	165,725	-
Special Education Preschool Grants	84.173	WI DPI	2019-592605-DPI-IDEA-P-347	(377)	3,247	2,187	5,434	-
Improving Teacher Quality State Grants	84.367	WI DPI	2019-592605-T1IA-365	(660)	660	-	-	-
Improving Teacher Quality State Grants	84.367	WI DPI	2020-592605-T1IA-365	-	13,870	13,870	13,870	-
Total U.S. Department of Education				(34,370)	116,525	139,398	221,553	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> <i>Medical Cluster</i> Medical Assistance Program	93.778	WI DHS	44223600	(665)	34,701	-	34,036	-
<b>TOTAL FEDERAL AWARDS</b>				<b>\$ (37,395)</b>	<b>\$ 222,818</b>	<b>\$ 158,802</b>	<b>\$ 344,225</b>	<b>\$ -</b>

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

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued Revenue (Deferred) 6/30/20	Total Expenditures	Subrecipient Payments
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b> Special Education and School Age Parents	255.101	Direct Program	592605-100	\$ -	\$ 304,484	\$ -	\$ 304,484	\$ -
State School Lunch Aid	255.102	Direct Program	592605-107	-	3,345	-	3,345	-
Common School Fund Library Aid	255.103	Direct Program	592605-104	-	51,601	-	51,601	-
General Transportation Aid	255.107	Direct Program	592605-102	-	16,835	-	16,835	-
School Mental Health Programs	255.201	Direct Program	592605-116	(77,922)	4,911,887	80,490	4,914,455	-
Supplemental Per Pupil Aid	255.245	Direct Program	592605-176	-	6,109	-	6,109	-
Personal Electronic Computing Device	255.296	Direct Program	592605-175	-	1,534	-	2,776	-
Educator Effective Evaluation System	255.940	Direct Program	592605-154	-	5,840	-	5,840	-
Per Pupil Aid	255.945	Direct Program	592605-113	-	613,634	-	613,634	-
High Cost Transportation Aid	255.947	Direct Program	592605-114	-	24,411	-	24,411	-
Career and Technical Education Incentive Grants	255.950	Direct Program	592605-151	-	6,696	-	6,696	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	592605-168	-	8,000	-	8,000	-
Total Wisconsin Department of Public Instruction				(77,922)	5,957,152	80,490	5,959,720	-
<b>WISCONSIN DEPARTMENT OF JUSTICE</b> School Safety Grants	455.206	Direct Program	13046	(2,584)	2,189	395	-	-
<b>TOTAL STATE PROGRAMS</b>				<b>\$ (80,509)</b>	<b>\$ 5,959,341</b>	<b>\$ 80,885</b>	<b>\$ 5,959,720</b>	<b>\$ -</b>

Reconciliation to the Basic Financial Statements:

State Sources  
 Additional Amount Received not Previously Shown as a Receivable:  
 Less: State Sources not Considered State Financial Assistance  
 State Tax Computer Aid  
 Total Expenditures of State Awards  
 \$ 6,025,065  
 (8,629)  
 \$ 5,959,720

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the District are presented in accordance with the requirements of the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction.

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2019 - 2020 eligible costs under the State Special Education Program as reported by the District are \$1,273,856. 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.

NOTE 5 OVERSIGHT AGENCIES

The Wisconsin Department of Public Instruction is the state oversight agency for the District.

NOTE 6 PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

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

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results

Basic Financial Statements

1. Type of auditors' report issued:	Unmodified
2. Internal control over financial reporting:	
• Material weakness(es) identified?	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>
• Significant deficiency(ies) identified?	x yes <input checked="" type="checkbox"/> none reported <input type="checkbox"/>
3. Noncompliance material to financial statements noted?	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>

State Awards

1. Internal control over major state programs:	
• Material weakness(es) identified?	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>
• Significant deficiency(ies) identified?	x yes <input checked="" type="checkbox"/> none reported <input type="checkbox"/>
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	yes <input type="checkbox"/> no <input checked="" type="checkbox"/>

Identification of Major State Programs

State ID Number 255.201  
Name of State Program or Cluster Equalization Aids

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

State Awards \$ 250,000

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings	
<b>2020 – 001</b>	<b>Segregation of Duties</b> Repeat finding of 2019-001
<b>Type of Finding:</b>	Significant Deficiency in Internal Control Over Financial Reporting
<b>Condition:</b>	Management is responsible for the design, installation and maintenance of an appropriate system of internal control. Proper segregation of duties is an important aspect of any control system.
<b>Criteria:</b>	The limited size of the District's office staff prevents the ideal separation of functions. The Business Manager position is heavily involved with the recording of daily activity in the District's general ledger and is primarily responsible for general ledger accounting functions including recording journal entries. In addition, while accounts payable and payroll processing are not the Business Manager's primary responsibility, the position does have access to all phases of the District's general ledger software which includes the ability to create new vendors in the accounts payable module and the ability to create new employees and adjust wage rates in the payroll module. Accordingly, this does not allow for proper segregation of duties for internal control purposes.
<b>Context:</b>	The size of the District results in the cost of the additional accounting staff to exceed the benefit.
<b>Cause:</b>	The lack of segregation of duties is due to the size of the District's operations including the limited number of employees in the Business Office and the key role in which the Business Manager position serves in maintaining the District's general ledger.
<b>Effect:</b>	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
<b>Recommendation:</b>	We recommend that the Board of Education continue to monitor the transactions and the financial records of the District. While we acknowledge the mitigating controls that have been implemented in recent years, we also recommend that the District continue to evaluate cost effective opportunities to improve the design of the internal control structure. Further discussion regarding recent changes to the internal control structure and mitigating controls is discussed in the management response.
<b>Views of Responsible Officials:</b>	There is no disagreement with the finding.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings (Continued)	
<b>2020 – 002</b>	<b>Preparation of Annual Financial Report</b> Repeat finding of 2019-002
<b>Type of Finding:</b>	Significant Deficiency in Internal Control Over Financial Reporting
<b>Condition:</b>	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.
<b>Criteria:</b>	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.
<b>Context:</b>	The audit firm has developed templates as a convenience to our clients.
<b>Cause:</b>	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.
<b>Effect:</b>	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.
<b>Recommendation:</b>	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.
<b>Management Response:</b>	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.
<b>Views of Responsible Officials:</b>	Management agrees with the finding. Management believes that the cost of hiring staff to prepare year-end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received. Management will have appropriate staff review the adjusting, closing and GASB 34 conversion entries along with the prepared financial reports, as recommended, to obtain an adequate understanding of the District's financial report.



SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020

Section III - State Award Findings

2020 - 003 Segregation of Duties - Federal and State Grant Management  
Repeat finding of 2019-003

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition: Management is responsible for the design, installation and maintenance of an appropriate system of internal control. Proper segregation of duties is an important aspect of any control system.

The limited size of the District's office staff prevents the ideal separation of functions. The Business Manager position is heavily involved with the recording of daily activity in the District's general ledger and is primarily responsible for general ledger accounting functions including recording journal entries. In addition, while accounts payable and payroll processing are not the Business Manager's primary responsibility, the position does have access to all phases of the District's general ledger software which includes the ability to create new vendors in the accounts payable module and the ability to create new employees and adjust wage rates in the payroll module. Accordingly, this does not allow for proper segregation of duties for internal control purposes over state grants.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of intentional and unintentional errors and fraud. Duties and responsibilities are properly segregated if no single individual either has control over all phases of a transaction or has the ability to both make and conceal an error, whether such error is intentional or unintentional.

Context: The size of the District results in the cost of the additional accounting staff to exceed the benefit.

Cause: The lack of segregation of duties is due to the size of the District's operations including the limited number of employees in the Business Office and the key role in which the Business Manager position serves in maintaining the District's general ledger.

Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend that the Board of Education continue to monitor the transactions and the financial records of the District. While we acknowledge the mitigating controls that have been implemented in recent years, we also recommend that the District continue to evaluate cost effective opportunities to improve the design of the internal control structure.

Views of Responsible Officials: There is no disagreement with the finding.

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020

Section IV - Other Issues

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? yes ☒ 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 Wisconsin Public School District Audit Manual:

Department of Health Services ☐ yes ☒ no ☐  
Department of Public Instruction ☐ yes ☒ no ☐

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? ☒ yes ☐ no ☐

4. Name and signature of principal

  
Bryan Grunewald, CPA

5. Date of report

November 24, 2020

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020

PRIOR YEAR AUDIT FINDINGS

The findings noted in the 2019 summary of audit results have been reported to the proper state agencies. The current status of the prior year audit findings, as provided by management, follows:

<u>Finding No.</u>	<u>Prior Year Audit Finding</u>
<b>2019-001</b>	<p><b>Segregation of Duties</b></p> <p>Management continues to proactively evaluate cost effective opportunities to further improve segregation of duties. District management and the Board of Education are aware of this significant role that the Business manager fills within the District's internal control structure and both management and the board will continue to provide oversight. Management will continue to evaluate the cost benefit of further opportunities to enhance segregation of duties. This finding is repeated as 2020-001.</p>
<b>2019-002</b>	<p><b>Preparation of Annual Financial Report</b></p> <p>Management continues to rely on the audit firm to prepare its annual financial report. This finding is repeated as 2020-002.</p>
<b>2019-003</b>	<p><b>Segregation of Duties – Federal and State Grant Management</b></p> <p>Management continues to proactively evaluate cost effective opportunities to further improve segregation of duties. District management and the Board of Education are aware of this significant role that the Business manager fills within the District's internal control structure and both management and the board will continue to provide oversight. Management will continue to evaluate the cost benefit of further opportunities to enhance segregation of duties. This finding is repeated as 2020-003.</p>

SCHOOL DISTRICT OF HOWARDS GROVE  
HOWARDS GROVE, WISCONSIN  
PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020

CORRECTIVE ACTION PLAN

<u>Finding No.</u>	<u>Corrective Action Plan</u>
<b>2020-001</b>	<p><b>Segregation of Duties</b></p> <p>Management is cognizant of the District's internal control structure and continues to evaluate cost effective opportunities to further improve segregation of duties. The District has strengthened the internal control structure in recent years by revising the roles and responsibilities of multiple positions. Current District procedures in both the accounts payable and payroll functions include one position that is primarily responsible for transaction processing and require that a second individual review and approve transactions. As a result of these procedures, the Business Manager has less responsibility with daily functions which enables the position to provide additional secondary review and oversight both in the financial areas of accounts payable, accounts receivable, and in the payroll/HR areas.</p>
<b>2020-002</b>	<p><b>Preparation of Annual Financial Report</b></p> <p>District management believes that the cost of employing internal resources to draft the financial statements and related notes under the GASB 34 model, including the related GASB 34 conversion entries, would outweigh the benefits to be received. Furthermore, District management will continue to employ personnel who have the capability to review, approve and accept responsibility for the financial statements.</p>
<b>2020-003</b>	<p><b>Segregation of Duties – Federal and State Grant Management</b></p> <p>Refer to management response for finding 2019-001 for additional commentary related to segregation of duties.</p> <p>District contact for corrective action plan: Josh Swanson, CPA, Business Manager Anticipated Completion Date: Recurring, not expected to be corrected.</p>

## **APPENDIX B**

### **FORM OF LEGAL OPINION**

(See following pages)

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

February 11, 2021

Re: School District of Howards Grove, Wisconsin ("Issuer")  
\$1,240,000 General Obligation Refunding Bonds, Series 2021A,  
dated February 11, 2021 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on April 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 15,000	___%
2022	250,000	___
2023	250,000	___
2024	310,000	___
2025	320,000	___
2026	95,000	___

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2021.

The Bonds are not subject to optional redemption.

[The Bonds maturing in the years \_\_\_\_\_ are subject to mandatory redemption by lot as provided in the Bonds, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)



## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the School District of Howards Grove, Manitowoc and Sheboygan Counties, Wisconsin (the "Issuer") in connection with the issuance of \$1,240,000 General Obligation Refunding Bonds, Series 2021A, dated February 11, 2021 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on November 16, 2020, as supplemented by a Certificate Approving the Preliminary Official Statement and Details of General Obligation Refunding Bonds, Series 2021A, dated January 14, 2021 (collectively, the "Resolution") and delivered to \_\_\_\_\_ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data annually and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). The Issuer is an obligated person with respect to not more than \$10,000,000 in aggregate amount of outstanding municipal securities (including the Securities but excluding obligations exempt from the Rule). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated January 15, 2021 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the School Board of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the School District of Howards Grove, Manitowoc and Sheboygan Counties, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the District Administrator of the Issuer who can be contacted at 403 Audubon Road, Howards Grove, Wisconsin 53083, phone (920) 565-4454, fax (920) 565-4461.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending June 30, 2021, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference financial information and operating data that is customarily prepared and publicly available, to wit:

1. Audited Financial Statements; and
2. The Issuer's adopted annual budget.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 11th day of February, 2021.

(SEAL)

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David Loomis  
District President

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Kari Bramstedt  
District Clerk

## APPENDIX E

### NOTICE OF SALE

#### **\$1,240,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A SCHOOL DISTRICT OF HOWARDS GROVE, WISCONSIN**

Bids for the purchase of \$1,240,000\* General Obligation Refunding Bonds, Series 2021A (the "Bonds") of the School District of Howards Grove, Wisconsin (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on January 14, 2021, at which time they will be opened, read and tabulated. On November 16, 2020, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on January 14, 2021. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all bids are rejected.

#### **PURPOSE**

The Bonds are authorized pursuant to Section 67.04, Wisconsin Statutes, by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District. The Bonds are general obligations of the District for which its full faith, credit and taxing powers are pledged.

#### **DATES AND MATURITIES**

The Bonds will be dated February 11, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$15,000	2023	\$250,000	2025	\$320,000
2022	250,000	2024	310,000	2026	95,000

#### **ADJUSTMENT OPTION**

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

#### **TERM BOND OPTION**

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## **PAYING AGENT**

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

The Bonds are being offered without the option of prior optional redemption.

## **DELIVERY**

On or about February 11, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).



## STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "THE BONDS - TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

## SUBMISSION OF BIDS

Bids must not be for less than \$1,227,600 plus accrued interest on the principal sum of \$1,240,000 from date of original issue of the Bonds to date of delivery. **The maximum bid allowed is \$1,302,000.** Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of \$24,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all bids and to waive any informality in any bid.

## **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## **CUSIP NUMBERS**

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Official Statement.

## **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The District shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Bonds. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

School District of Howards Grove, Wisconsin

# BID FORM

The School Board  
School District of Howards Grove, Wisconsin

January 14, 2021

RE: \$1,240,000\* General Obligation Refunding Bonds, Series 2021A (the "Bonds")  
DATED: February 11, 2021

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$1,227,600, **and not more than \$1,302,000**) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2021	_____ % due	2023	_____ % due	2025
_____ % due	2022	_____ % due	2024	_____ % due	2026

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$24,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about February 11, 2021.

This bid is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

If the competitive sale requirements are not met, we elect to use either the: \_\_\_\_ 10% test, or the \_\_\_\_ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members: \_\_\_\_\_

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from February 11, 2021 of the above bid is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

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The foregoing offer is hereby accepted by and on behalf of the School Board of School District of Howards Grove, Wisconsin, on January 14, 2021.

By: _____	By: _____
Title: _____	Title: _____