

LAKE COUNTRY SCHOOL DISTRICT

Hartland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2020

LAKE COUNTRY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the School Board
Lake Country School District
Hartland, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lake Country School District, Wisconsin, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Lake Country School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Lake Country School 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 Lake Country School 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.

To the School Board
Lake Country School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lake Country School District, Wisconsin, 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Country School District's basic financial statements. The supplementary information and the schedule of expenditures of federal and state awards as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and state awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the School Board
Lake Country School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 on our consideration of the Lake Country School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lake Country School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Country School District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

The discussion and analysis of the Lake Country School District financial performance provides an overall review of financial activities for the fiscal year and focuses on school district financial performance. The 2019-2020 comparison to the prior year has been presented.

FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net position, decreased by \$162,923.
- The General Fund (Fund 10) balance increased from \$851,971 to \$897,450. The fund balance is 15% of actual 2019-2020 Fund 10 expenditures.
- The District issued no new debt in 2019-2020.
- District enrollment, which is a major variable in the District's revenue limit calculation, stayed about the same as 2018-2019. Enrollment in 2019-2020 was 502.
- Total revenues for Governmental Funds were \$6,716,087. This amount includes \$3,951,160 of local property taxes and \$38,518 of general state aid. Property taxes represent 59% of all revenue, all funds. General state aid represents less than 1% of all revenue, all funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts—management's discussion and analysis and the basic financial statements (district-wide and fund statements) including notes to the financial statements.

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

1. The *Statement of Net Position* and *Statement of Activities* provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed year presented in a manner like private-sector businesses.
 - The *Statement of Net Position* compares assets/deferred outflows to liabilities/deferred inflows to give an overall view of the financial health of the District. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
 - The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues – charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue – recognizing the Change in Net position for the District from the previous year.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

2. The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements and support the *Statement of Net position*.
- The *Notes to the Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.
 - *Required Supplementary Information* further explains and supports the financial statements by including a comparison of the District's budget data for the year and includes all reports in the financial statements including the financial notes.
 - *Additional Supplemental Information* provides information specific to non-major governmental funds such as the Food Service Fund.
 - The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table (Table #1).

District-Wide Statements

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

The two district-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets, deferred outflows, deferred inflows and liabilities – is one way to measure the District's financial health or *position*.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

Table 1 – Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Governmental Fund Statements
Scope	Entire district (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.
Required Financial Statements	Statement of Net position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and changes in Fund Balance
Basis of Accounting and Measurement Focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus
Type of Asset/Deferred Outflows and Liability/Deferred Inflows Information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, short-term and long-term.	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.
Type of Inflow and Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liabilities are due and payable.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

Table 2

Condensed Statement of Net position

	2019-2020	2018-2019
<u>Assets</u>		
Current Assets	\$3,455,950	\$2,711,337
Capital Assets	6,144,279	6,356,270
Total Assets	9,600,229	9,067,607
<u>Deferred Inflows of Resources</u>		
Deferred outflows related to pensions	1,538,750	1,963,417
<u>Liabilities</u>		
Current Liabilities	1,865,085	1,842,348
Non-Current Liabilities	1,452,858	2,125,510
Total Liabilities	3,317,943	3,967,858
<u>Deferred Inflows of Resources</u>		
Deferred inflow related to pensions	1,987,612	1,066,819
<u>Net Position</u>		
Net Investment in Capital Assets	6,144,279	6,356,270
Restricted for pensions - WRS	645,638	-
Unrestricted	(956,493)	(359,923)
Total Net Position	\$ 5,833,424	\$ 5,996,347

Statement of Net position: (Table 2)

Table 2 provides a summary of the District's net position for the year ended June 30, 2020 compared to the year ended June 30, 2019. As of June 30, 2020, the District reported total assets of \$9,600,229 and total liabilities of \$3,317,943. Total net position in 2019-2020 was \$5,833,424. This includes the estimated historical cost of sites, site improvements, buildings, building improvements, furniture and equipment net of accumulated depreciation. For fiscal year 2018-2019, the total net position of the District is reported at \$5,996,347 this represents a decrease of \$162,923 from fiscal year 2018-2019.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

Table 3

Changes in Net position from Operating Results
For Governmental Activities

		<u>2019-2020</u>		<u>2018-2019</u>	
<u>Revenues:</u>					
<i>Program</i>	Charges for Services	\$ 1,619,901	24%	\$ 1,436,508	22%
	Operating Grants & Cont.	810,315	12%	728,125	11%
<i>General</i>	Property & Other Taxes	3,951,160	59%	3,981,319	61%
	General State Aid	38,518	1%	43,921	1%
	Other	<u>296,193</u>	<u>4%</u>	<u>345,662</u>	<u>5%</u>
	Total Revenues	<u>\$ 6,716,087</u>	<u>100%</u>	<u>\$ 6,535,535</u>	<u>100%</u>
<u>Expenses:</u>					
	Instruction	\$ 4,563,690	66%	\$ 4,569,556	66%
	Pupil Services	170,497	2%	131,624	2%
	Instructional Support Serv.	151,388	2%	179,642	3%
	Administration	585,880	9%	590,661	9%
	Buildings and grounds	485,306	7%	563,394	8%
	Pupil Transportation	179,429	3%	216,141	3%
	Other Support Services	213,172	3%	194,877	3%
	Interest and Fees	46,628	1%	33,968	0%
	Food Service	174,199	3%	168,303	2%
	Community Service	53,781	1%	61,778	1%
	Cooperative Services	<u>255,040</u>	<u>4%</u>	<u>236,573</u>	<u>3%</u>
	Total Expenses	<u>6,879,010</u>	<u>100%</u>	<u>6,946,517</u>	<u>100%</u>
	Change in Net Assets	(162,923)		(410,982)	
	Net Position, Beginning of Year	<u>5,996,347</u>		<u>6,407,329</u>	
	Net Positions, End of Year	<u>\$ 5,833,424</u>		<u>\$ 5,996,347</u>	

Revenues:

- The District received \$6,716,087 in revenue for the 2019-2020 fiscal year. Fifty Eight percent (59%) of the District's total revenue came from local school property tax. One percent (1%) of the total came from State Aid. The District receives approximately forty-one percent (40%) in the form of specific use State Grants, Federal Aid, and direct fees for services. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year except for donation of funds we were fortunate to receive from the P.T.O. and LCS Foundation to offset technology, ACE, and other costs.
- Individuals and school districts that directly participated or benefited from a program contributed \$1,619,901 of the cost. Book and activity fees, admissions to athletic events, open enrollment tuition, Special Education Aid payments, lunch revenues and building rental fees are included as charges for services.
- Federal and State governments subsidized certain programs with grants and contributions of \$810,315.
- General Revenues in the form of property taxes accounted for \$3,951,160 and general state aid for \$38,518.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

Expenses

- The District's total expenditure amount was \$6,879,010 for fiscal year 2019-2020. Sixty-Six percent (66%) is directed to pupil instruction and instructional services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of pupil instruction and instructional services

General Fund Budgetary Comparison:

The District adopts an interim budget in April for the subsequent year. Consistent with current state statutes and regulations, the original budget is amended in October to reflect the actual revenue cap and state aid certification. The budget was amended after October by action of the School Board.

Fund Balances:

- The District shows a total for all fund balances of \$945,227 as of June 30, 2020.
- \$897,450 is in the General Fund. The District utilizes this fund balance for funding short-term operations as well as future retirement liabilities. The interest earned on investment of these funds provides additional spending capacity. The General Fund balance is 17% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond ratings, and allows the District to respond to non-recurring economic needs.
- The remaining fund balance includes \$16,601 for Special Revenue Trust Fund revenues to be spent and other district donations. There is also \$26,876 in Food Service, \$3,149 in Community Service Fund and \$1,151 in Co-Operative Fund.

Governmental Activities:

The District's current financial position can be credited to effective and conservative fiscal management. It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure the physical plants in the District are kept in good condition and that costly major repairs may be averted through timely facility maintenance.

- Each year, detailed attention is paid to staffing levels. Class size levels are watched closely to ensure high quality education levels and at the same time develop a budget within the constraints of the state-imposed revenue limit.
- The district keeps a close watch on enrollment projections and plans personnel transactions accordingly. Enrollment is projected to stay about the same from 2019-2020 to 2020-2021.

Lake Country School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
(unaudited)

Capital Asset and Debt Administration

Capital Assets

- We are currently complying with the requirements of GASB 34. The District capitalizes assets with a value greater than \$5,000 and a useful life greater than 5 years. Depreciation is computed based on a straight-line basis over the life of the asset. Information on capital asset balances and current year activity is reported on page 27.
- The state budget has given the board the tools needed to help offset the loss in per pupil funds for the next two years. These tools help the board control costs for the future of the district. The state has allowed a small amount per pupil over the next two years which will help. The new biannual budget will always be a factor in our funding and we pay close attention to those changes.
- One of the most important variables in the District's financial future is the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing at approximately 10 % per year. If these rate increases continue, the cost of health benefits will have an impact on the instructional services of the District. Administration has been implementing various employee cost saving and sharing measures to offset the District's portion of this expense, but this issue continues to be a budgetary challenge. Administration is also working to decrease and or eliminate our OPEB benefits in the future as that plays a major factor in our expenses and budget each year.
- It is important that the District continues to be able to complete capital improvement projects. It is one of the Board of Education's goals and a budget priority to continue to upgrade and maintain the physical plants of the District.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

Mark Lichte, District Administrator
Lake Country School District
1800 Vettelson Road
Hartland, WI 53029

262-367-3606 (phone)
262-367-3205 (FAX)
lichtem@mylakecountryschool.org

BASIC FINANCIAL STATEMENTS

LAKE COUNTRY SCHOOL DISTRICT

STATEMENT OF NET POSITION

As of June 30, 2020

ASSETS	
Cash and investments	\$ 1,650,312
Taxes receivable	1,036,515
Accounts receivable	2,834
Due from other governments	120,651
Restricted asset	
Net Pension	645,638
Capital assets	
Land	259,000
Other capital assets, net of depreciation	<u>5,885,279</u>
Total Assets	<u>9,600,229</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions - single employer	122,742
Deferred outflows related to pensions - WRS	<u>1,416,008</u>
Total Deferred Outflows of Resources	<u>1,538,750</u>
 LIABILITIES	
Accounts payable and accrued expenses	265,085
Notes payable	1,600,000
Noncurrent Liabilities	
Due in more than one year	<u>1,452,858</u>
Total Liabilities	<u>3,317,943</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions - Single employer	52,710
Deferred inflows related to pensions - WRS	<u>1,934,902</u>
Total Deferred Inflows of Resources	<u>1,987,612</u>
 NET POSITION	
Net Investment in Capital Assets	6,144,279
Restricted for Pension	645,638
Unrestricted (Deficit)	<u>(956,493)</u>
Total Net Position	<u>\$ 5,833,424</u>

See accompanying notes to the financial statements.

LAKE COUNTRY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue and Changes In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 3,595,775	\$ 1,322,332	\$ 20,390	\$ (2,253,053)
Special education	659,042	6,912	283,180	(368,950)
Other	308,873	-	12,137	(296,736)
Total Instruction	4,563,690	1,329,244	315,707	(2,918,739)
Support Services				
Pupil services	170,497	-	364,654	194,157
Instructional support services	151,388	-	25,604	(125,784)
Administration	585,880	-	-	(585,880)
Buildings and grounds	485,306	-	-	(485,306)
Pupil transportation	179,429	-	11,085	(168,344)
Other support services	213,172	-	14,610	(198,562)
Interest and fees	46,628	-	-	(46,628)
Food service	174,199	111,461	78,655	15,917
Community service	53,781	-	-	(53,781)
Cooperative services	255,040	179,196	-	(75,844)
Total Support Services	2,315,320	290,657	494,608	(1,530,055)
Total Activities	\$ 6,879,010	\$ 1,619,901	\$ 810,315	(4,448,794)
General Revenues				
Taxes				
Property taxes, levied for general purposes				3,895,079
Property taxes, levied for community service				56,081
Intergovernmental revenues not restricted to a specific function				38,518
Investment income				17,769
Miscellaneous				278,424
Total General Revenues				4,285,871
Change in Net Position				(162,923)
NET POSITION - BEGINNING OF YEAR				5,996,347
NET POSITION - END OF YEAR				\$ 5,833,424

See accompanying notes to the financial statements.

LAKE COUNTRY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2020

	General Fund	Special Revenue Special Education Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 1,562,548	\$ 42,841	\$ 44,923	\$ 1,650,312
Taxes receivable	1,036,515	-	-	1,036,515
Accounts receivable	2,834	-	-	2,834
Due from other governments	101,207	6,912	12,532	120,651
TOTAL ASSETS	\$ 2,703,104	\$ 49,753	\$ 57,455	\$ 2,810,312
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 38,962	\$ 30,120	\$ 299	\$ 69,381
Notes payable	1,600,000	-	-	1,600,000
Accrued salaries and related items	141,040	19,633	9,379	170,052
Accrued interest payable	25,652	-	-	25,652
Total Liabilities	1,805,654	49,753	9,678	1,865,085
Fund Balances				
Committed	-	-	47,777	47,777
Assigned	600,000	-	-	600,000
Unassigned	297,450	-	-	297,450
Total Fund Balances	897,450	-	47,777	945,227
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,703,104	\$ 49,753	\$ 57,455	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	6,144,279
Net pension asset - WRS does not relate to current financial resources and is not reported in the funds	645,638
The deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, is not reported in the funds.	1,538,750
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. Long-term obligations	(1,452,858)
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,987,612)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5,833,424

See accompanying notes to the financial statements.

LAKE COUNTRY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local	\$ 4,074,825	\$ -	\$ 444,873	\$ 4,519,698
Interdistrict	1,322,332	6,912	-	1,329,244
State	445,770	127,614	2,059	575,443
Federal	41,228	155,566	76,596	273,390
Other	18,312	-	-	18,312
Total Revenues	5,902,467	290,092	523,528	6,716,087
EXPENDITURES				
Instruction				
Regular	3,222,353	-	82,883	3,305,236
Special education	113,645	560,892	-	674,537
Other	214,882	-	-	214,882
Total instruction	3,550,880	560,892	82,883	4,194,655
Support Services				
Pupil services	71,097	87,631	-	158,728
Instructional support services	138,444	12,533	-	150,977
Administration	562,843	1,762	-	564,605
Buildings and grounds	437,151	-	535	437,686
Pupil transportation	169,567	9,862	-	179,429
Other support services	213,172	-	-	213,172
Debt service				
Interest and fees	46,628	-	-	46,628
Food service	-	-	174,074	174,074
Community service	-	-	56,081	56,081
Cooperative program	-	-	255,040	255,040
Total support services	1,638,902	111,788	485,730	2,236,420
Non - program	208,774	-	-	208,774
Total Expenditures	5,398,556	672,680	568,613	6,639,849
Excess (deficiency) of revenues over expenditures	503,911	(382,588)	(45,085)	76,238
OTHER FINANCING SOURCES (USES)				
Transfers in	-	382,588	75,844	458,432
Transfers out	(458,432)	-	-	(458,432)
Total Other Financing Sources (Uses)	(458,432)	382,588	75,844	-
Net Change in Fund Balances	45,479	-	30,759	76,238
FUND BALANCES - Beginning of Year	851,971	-	17,018	868,989
FUND BALANCES - END OF YEAR	\$ 897,450	\$ -	\$ 47,777	\$ 945,227

See accompanying notes to the financial statements.

LAKE COUNTRY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net Change in Fund Balances - total governmental funds	\$ 76,238
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 net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital Outlay is reported as expenditures in fund financial statements but is capitalized in the government-wide financial statements	7,810
Depreciation is reported in the government-wide statements.	(219,801)
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 governmental funds.	
Net pension liability (asset) - WRS	1,376,286
Deferred outflows of resources related to pensions	(424,667)
Deferred inflows of resources related to pensions	(920,793)
Net pension obligation - single employer	<u>(57,996)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (162,923)</u>

See accompanying notes to the financial statements.

LAKE COUNTRY SCHOOL DISTRICT

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LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Country School District (the "District"), conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

- b. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major governmental funds:

General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
Special Education Fund - Special Revenue Fund - used to account for and report grants and local revenues, that are restricted or committed to provide special education services to district students.

The District reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Gift Trust Fund (Contributions)
Food Service Fund (Food service grants and fees)
Community Service Fund (Local taxes and fees)
Cooperative Program Fund (Cooperative education program)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Investment of District funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy. That policy has approved public depositories and follows the state statute for allowable investments. The District has an investment policy that requires deposits to be limited to amounts that are protected by state and federal laws and the District complied with this provision of the policy as described in Note III A.

No policy exists for the following risks:

Credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of district accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (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 amount as reported in these statements.

See Note IV. A. for further information.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed value as of the prior January 1.

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1.

Property tax calendar - 2019 tax roll:

Lien date and levy date	December, 2019
Tax bills mailed	December, 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	60 Years
Equipment	5-20 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

6. Compensated Absences

The District's policy does not allow accumulated vacation and sick pay benefits to vest. Unused accumulated vacation and sick pay benefits are forfeited upon retirement or termination of employment. These benefits are recorded as an expenditure in the year used. No accumulated amount is recorded as a liability in the district-wide financial statements.

7. Long-Term Obligations

All long-term obligations to be repaid from District resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Long-Term Obligations/Conduit Debt (cont.)

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The district has adopted a financial policy authorizing the administrator and/or bookkeeper to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note IV. H. for further information.

10. Pension

For purposes of measuring the Net Pension (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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE II - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - district activities as reported in the district-wide statement of net position. The details of this reconciliation include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of district activities as reported in the district-wide statement of activities. One element of that reconciliation explains that . The details of this \$- difference are as follows:

One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Another element of that reconciliation states that "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 governmental funds." The details of this \$- difference are as follows:

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The District may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue - Gift Trust Fund	\$ 69,911	\$ 83,418	\$ 13,507
Special Revenue - Cooperative Program	208,855	255,040	46,185

The District controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

C. LIMITATIONS ON THE DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

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

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits and investments at year-end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Demand Deposits	\$ 334,103	\$ 337,679	Custodial credit risk
LGIP	1,316,209	1,316,209	Credit risk
 Total Deposits and Investments	 \$ 1,650,312	 \$ 1,653,888	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,650,312		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2020, the banks had pledged various government securities in the amount of \$36 to secure the District's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

The District does not have any deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District had investments in the external Wisconsin Local Government Investment Pool which is not rated.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year and no allowance for uncollectible accounts has been recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 259,000	\$ -	\$ -	\$ 259,000
Total Capital Assets Not Being Depreciated	<u>259,000</u>	<u>-</u>	<u>-</u>	<u>259,000</u>
Capital assets being depreciated				
Buildings and Improvements	10,505,285	-	-	10,505,285
Equipment	<u>1,614,207</u>	<u>7,810</u>	<u>-</u>	<u>1,622,017</u>
Total Capital Assets Being Depreciated	<u>12,119,492</u>	<u>7,810</u>	<u>-</u>	<u>12,127,302</u>
Total Capital Assets	<u>12,378,492</u>	<u>7,810</u>	<u>-</u>	<u>12,386,302</u>
Less: Accumulated depreciation for				
Buildings and Improvements	(4,547,083)	(180,793)	-	(4,727,876)
Equipment	<u>(1,475,139)</u>	<u>(39,008)</u>	<u>-</u>	<u>(1,514,147)</u>
Total Accumulated Depreciation	<u>(6,022,222)</u>	<u>(219,801)</u>	<u>-</u>	<u>(6,242,023)</u>
Net Capital Assets Being Depreciated	<u>6,097,270</u>	<u>(211,991)</u>	<u>-</u>	<u>5,885,279</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,356,270</u>	<u>\$ (211,991)</u>	<u>\$ -</u>	<u>\$ 6,144,279</u>

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Instruction			
Regular instruction		\$	148,977
Support Services			
Administration			19,758
Buildings and grounds			<u>51,066</u>
Total Governmental Activities Depreciation Expense		<u>\$</u>	<u>219,801</u>

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Special Revenue Fund - Special Education	General Fund	\$ 382,588	Finance Expenditures
Special Revenue Fund - Cooperative Program	General Fund	<u>75,844</u>	Finance Expenditures
Total - Fund Financial Statements		<u>\$ 458,432</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. SHORT-TERM DEBT ACTIVITY

The District issues short-term debt for tax and revenue anticipation notes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January.

Short-term debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000
Totals	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000

The current tax and revenue anticipation note is due on September 9, 2020 and has an interest rate of 2.00%. Total short-term interest expended during the year was \$46,627.

G. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Other Liabilities					
Net pension liability (asset) - WRS	\$ 730,648	\$ -	\$ 730,648	\$ -	\$ -
Total pension liability	1,394,862	182,610	124,614	1,452,858	-
Total Other Liabilities	2,125,510	182,610	855,262	1,452,858	-
Total Governmental Activities Long-Term Liabilities	\$ 2,125,510	\$ 182,610	\$ 855,262	\$ 1,452,858	\$ -

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 5% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2020, was \$54,811,366. Total general obligation debt outstanding at year end was \$-.

Other Debt Information

Estimated payments of pension obligations are not included in the debt service requirement schedules. The pension obligations attributable to governmental activities will be liquidated primarily by the general fund.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2020, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 259,000
Other capital assets, net of accumulated depreciation	<u>5,885,279</u>
Total Net Investment in Capital Assets	<u>\$ 6,144,279</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2020, include the following:

Committed

Nonmajor Funds	
Special Revenue Funds	
Food Service	\$ 26,876
Gift Trust	16,601
Community Service	3,149
Cooperative Program	<u>1,151</u>
Total	<u>\$ 47,777</u>

Assigned

Major Fund	
General Fund	
Future employee retirement liabilities	\$ 200,000
Future capital projects	<u>400,000</u>
Total	<u>\$ 600,000</u>

Unassigned

Major Fund	
General fund	<u>\$ 297,450</u>

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information about the 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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

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

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

The WRS also provides death and disability benefits for employees.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$206,530 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.55%	6.55%

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

At June 30, 2020, the District reported an (Asset) of \$645,638 for its proportionate share of the Net Pension (Asset). The Net Pension (Asset) was measured as of December 31, 2019, and the Total Pension Liability used to calculate the Net Pension (Asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension (Asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.02002317%, which was a decrease of 0.00051402% from its proportion measured as of December 31, 2018.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2020, the District recognized pension expense of \$154,973.

At June 30, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,225,569	\$ 613,315
Net differences between projected and actual earnings on pension plan investments	-	1,319,914
Changes in assumptions	50,312	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,012	1,673
Employer contributions subsequent to the measurement date	133,115	-
Total	\$ 1,416,008	\$ 1,934,902

\$133,115 reported as Deferred Outflows of Resources related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension (Asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources Related to Pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2021	\$ (190,699)
2022	(144,338)
2023	22,843
2024	(339,815)

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	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
Total Core Fund	110	7.5	4.6
 <u>Variable Fund Asset Class</u>			
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

Single Discount Rate. A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (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 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	<u>\$1,662,634</u>	<u>\$(645,638)</u>	<u>\$(2,371,337)</u>

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

At June 30, 2020, the district reported debt payable to the pension plan of \$83,618, which represents a contractual arrangement for contribution to the pension plan related to past service cost.

B. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The District purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees. However, other risks, such as torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees are accounted for and financed by the District in the general fund.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District attorney 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.

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

D. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

Upon the retirement of eligible Teachers, the District will provide a total benefit of \$90,000, which will be contributed in equal payments over a 60-month period into a 403(b) on behalf of the retiree. Similarly, full-time, full year Support Staff that were hired prior to January 1, 2005 may also receive a 403(b) benefit of \$35,000 upon their retirement that will be paid out over a 36-month period. The District will also make 403(b) contributions on behalf of the District Administrator in the amount of \$9,000 for a period of 5 years. The Plan is administered by the District and does not issue a stand alone financial report.

At June 30, 2020, the District plan's membership consisted of:

Retirees and beneficiaries	9
Inactive, non-retired members	30
Active members	<u>9</u>
Total	<u><u>48</u></u>

The District paid \$105,258 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

Changes in pension liability. The District's change in total pension liability for the fiscal year ended June 30, 2020 was as follows:

	Total Pension Liability
Beginning of Year Balance	\$ 1,394,862
Service cost	63,004
Interest on total pension liability	47,742
Changes of assumptions or other input	71,864
Benefit payments	<u>(124,614)</u>
End of Year Balance	<u><u>\$ 1,452,858</u></u>

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

D. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

Assumptions. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date:	June 30, 2020
Actuarial Valuation Date:	June 30, 2018
Inflation:	2.00%
Salary Changes:	5.6% down to 0.2% in 30 years; includes merit increases plus inflation
Discount Rate:	2.25%
Source of Discount Rate:	Based upon all years of project payments discounted at a municipal bond rate of 2.25%
Source of Mortality Assumptions:	2012 Annual Wisconsin Retirement System (WRS) Report
Dates of Experience Studies	Experience study conducted in 2015 using WRS experience from 2012-2014

Sensitivity of the total pension liability to changes in the discount rate. The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 2.25% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (1.25%) or 1 percentage point higher (3.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$1,511,747	\$1,452,858	\$1,395,188

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2020, the District recognized pension expense of \$118,932.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

D. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,863	\$ -
Changes in assumptions	63,879	52,710
Total	\$ 122,742	\$ 52,710

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

Year ended June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2021	\$ 8,186
2022	8,186
2023	8,186
2024	8,186
2025	8,186
Thereafter	29,102

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE V - OTHER INFORMATION (cont.)

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > *Statement No. 87, Leases*
- > *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- > *Statement No. 91, Conduit Debt Obligations*
- > *Statement No. 92, Omnibus*
- > *Statement No. 93, Replacement of Interbank Offered Rates*
- > *Statement No. 94, Public-Private and Public-Private Partnerships and Availability Payment Arrangements*
- > *Statement No. 96, Subscription-Based Information Technology Arrangements*
- > *Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a superession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

REQUIRED SUPPLEMENTARY INFORMATION

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 3,991,579	\$ 4,027,429	\$ 4,074,825	\$ 47,396
Interdistrict	1,319,129	1,279,109	1,322,332	43,223
State	409,470	427,349	445,770	18,421
Federal	18,406	18,406	41,228	22,822
Other	-	-	18,312	18,312
Total Revenues	<u>5,738,584</u>	<u>5,752,293</u>	<u>5,902,467</u>	<u>150,174</u>
EXPENDITURES				
Instruction	3,457,092	3,473,601	3,550,880	(77,279)
Support Services	1,687,602	1,677,606	1,638,902	38,704
Non-program	170,962	185,325	208,774	(23,449)
Total Expenditures	<u>5,315,656</u>	<u>5,336,532</u>	<u>5,398,556</u>	<u>(62,024)</u>
Excess of revenues over expenditures	422,928	415,761	503,911	88,150
OTHER FINANCING USES				
Transfers out	(394,407)	(415,761)	(458,432)	(42,671)
Net Change in Fund Balance	<u>\$ 28,521</u>	<u>\$ -</u>	<u>45,479</u>	<u>\$ 45,479</u>
FUND BALANCES - Beginning of year			<u>851,971</u>	
FUND BALANCES - END OF YEAR			<u>\$ 897,450</u>	

See independent auditors' report and accompanying notes to the required supplementary information.

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SPECIAL EDUCATION FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interdistrict	\$ 9,000	\$ 9,000	\$ 6,912	\$ (2,088)
State	138,800	138,800	127,614	(11,186)
Federal	160,566	160,566	155,566	(5,000)
Total Revenues	<u>308,366</u>	<u>308,366</u>	<u>290,092</u>	<u>(18,274)</u>
EXPENDITURES				
Instruction				
Special education	565,271	541,625	560,892	(19,267)
Vocational education	48,192	48,192	-	48,192
Total instruction	<u>613,463</u>	<u>589,817</u>	<u>560,892</u>	<u>28,925</u>
Support Services				
Pupil services	73,925	73,925	87,631	(13,706)
Instructional support services	2,691	2,691	12,533	(9,842)
Administration	-	-	1,762	(1,762)
Pupil transportation	12,694	12,694	9,862	2,832
Total support services	<u>89,310</u>	<u>89,310</u>	<u>111,788</u>	<u>(22,478)</u>
Total Expenditures	<u>702,773</u>	<u>679,127</u>	<u>672,680</u>	<u>6,447</u>
Excess (deficiency) of revenues over expenditures	(394,407)	(370,761)	(382,588)	(11,827)
OTHER FINANCING SOURCES				
Transfer in	<u>394,407</u>	<u>370,761</u>	<u>382,588</u>	<u>11,827</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - Beginning of year			<u>-</u>	
FUND BALANCES - END OF YEAR			<u>\$ -</u>	

See independent auditors' report and accompanying notes to the required supplementary information.

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2020

Fiscal Year Ending	Beginning Balance	Service Cost	Interest on Total Pension Liability	Difference Between Expected and Actual Experience	Benefit Payments	Change of Assumptions	Ending Balance	District's Proportionate Share	Nonemployer Contributing Entity's Proportionate Share
6/30/17	\$ 1,363,979	\$ 77,653	\$ 40,105	\$ -	\$ (132,036)	\$ -	\$ 1,349,701	100%	0%
6/30/18	1,349,701	77,653	40,320	-	(89,072)	(42,685)	1,335,917	100%	0%
6/30/19	1,335,917	70,041	49,441	75,681	(105,034)	(31,184)	1,394,862	100%	0%
6/30/20	1,394,862	63,004	47,742	-	(124,614)	71,864	1,452,858	100%	0%

SCHEDULE OF COVERED PAYROLL
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2020

Fiscal Year Ending	Total Pension Liability	Covered Payroll	Total Pension Liability as a Percentage of Covered Payroll
6/30/17	\$ 1,349,701	\$ 2,706,620	49.87%
6/30/18	1,335,917	2,706,620	49.36%
6/30/19	1,394,862	2,610,796	53.43%
6/30/20	1,452,858	2,610,796	55.65%

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2020

WRS Fiscal Year End Date	Proportion of the Net Pension (Liability) Asset	Proportionate Share of the Net Pension (Liability) Asset	Covered Payroll	Proportionate Share of the Net Pension (Liability) Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/14	0.02304453%	\$ 566,037	\$ 3,121,039	18.14%	102.74%
12/31/15	0.02241306%	(364,208)	3,044,223	11.96%	98.20%
12/31/16	0.02176068%	(179,360)	3,056,968	5.87%	99.12%
12/31/17	0.02107914%	625,864	3,035,107	20.62%	102.93%
12/31/18	0.02053719%	(730,648)	3,042,005	24.02%	96.45%
12/31/19	0.02002317%	645,638	3,153,136	20.48%	102.96%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2020

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 219,807	\$ 219,807	\$ -	\$ 3,121,039	7.04%
6/30/16	208,253	208,253	-	3,044,223	6.84%
6/30/17	212,379	212,379	-	3,140,210	6.76%
6/30/18	204,667	204,667	-	2,938,342	6.97%
6/30/19	201,451	201,451	-	3,571,788	5.64%
6/30/20	215,448	215,448	-	3,681,495	5.85%

See independent auditors' report and accompanying notes to the required supplementary information.

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2020

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principals and the modified accrual basis of accounting. Budgets are adopted for all governmental funds.

Budgets are adopted at the function level in the General Fund and the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the report issued by the actuary.

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Wisconsin Retirement System in relation to the District as a whole.

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

Changes of assumptions. There were no changes in the assumptions.

SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

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

Accumulation of assets. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

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

Changes of assumptions. There were no changes in the assumptions.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

LAKE COUNTRY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2020

	Special Revenue Funds				Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	Cooperative Program	
ASSETS					
Cash and investments	\$ 16,900	\$ 23,560	\$ 3,312	\$ 1,151	\$ 44,923
Taxes Receivable	-	-	-	-	-
Due from other governments	-	12,532	-	-	12,532
TOTAL ASSETS	<u>\$ 16,900</u>	<u>\$ 36,092</u>	<u>\$ 3,312</u>	<u>\$ 1,151</u>	<u>\$ 57,455</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 299	-	-	-	\$ 299
Accrued salaries and related items	-	9,216	163	-	9,379
Due to other funds	-	-	-	-	-
Total Liabilities	<u>299</u>	<u>9,216</u>	<u>163</u>	<u>-</u>	<u>9,678</u>
Fund Balances					
Committed	<u>16,601</u>	<u>26,876</u>	<u>3,149</u>	<u>1,151</u>	<u>47,777</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,900</u>	<u>\$ 36,092</u>	<u>\$ 3,312</u>	<u>\$ 1,151</u>	<u>\$ 57,455</u>

LAKE COUNTRY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue Funds				Total Governmental Funds
	Gift Trust	Food Service	Community Service	Cooperative Program	
REVENUES					
Local	\$ 98,135	\$ 111,461	\$ 56,081	\$ 179,196	\$ 444,873
State	-	2,059	-	-	2,059
Federal	-	76,596	-	-	76,596
Total Revenues	<u>98,135</u>	<u>190,116</u>	<u>56,081</u>	<u>179,196</u>	<u>523,528</u>
EXPENDITURES					
Instruction	82,883	-	-	-	82,883
Support					
Food service	-	174,074	-	-	174,074
Building and grounds	535	-	-	-	535
Community service	-	-	56,081	-	56,081
Cooperative program	-	-	-	255,040	255,040
Total support services	<u>535</u>	<u>174,074</u>	<u>56,081</u>	<u>255,040</u>	<u>485,730</u>
Total Expenditures	<u>83,418</u>	<u>174,074</u>	<u>56,081</u>	<u>255,040</u>	<u>568,613</u>
Excess (deficiency) of revenues over expenditures	<u>14,717</u>	<u>16,042</u>	<u>-</u>	<u>(75,844)</u>	<u>(45,085)</u>
OTHER FINANCING SOURCE					
Transfers in	-	-	-	75,844	75,844
Net Change in Fund Balance	14,717	16,042	-	-	30,759
FUND BALANCES - Beginning of year	<u>1,884</u>	<u>10,834</u>	<u>3,149</u>	<u>1,151</u>	<u>17,018</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,601</u>	<u>\$ 26,876</u>	<u>\$ 3,149</u>	<u>\$ 1,151</u>	<u>\$ 47,777</u>

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2020

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>Federal Catalog Number</u>	<u>Program or Award Amount</u>	<u>Accrued Receivable 7/1/19</u>	<u>Expenditures Grantor</u>	<u>Receipts Grantor Reimbursements</u>	<u>Accrued Receivable 6/30/20</u>
U.S. DEPARTMENT OF EDUCATION						
State of Wisconsin						
Wisconsin Department of Public Instruction						
<u>ESEA Title I - Title I, Part A Cluster</u>						
July 1, 2019- June 30, 2020	84.010	\$ 15,070	<u>11,551</u>	<u>\$ 15,070</u>	<u>\$ 26,621</u>	<u>\$ -</u>
<u>ESEA II-A Teacher/Principal Training</u>						
July 1, 2019- June 30, 2020	84.367	11,548	<u>-</u>	<u>11,548</u>	<u>-</u>	<u>11,548</u>
<u>ESEA IV-A</u>						
July 1, 2019- June 30, 2020	84.424	14,610	<u>-</u>	<u>14,610</u>	<u>14,610</u>	<u>-</u>
Special Education Cluster IDEA						
<u>IDEA Flow Through</u>						
July 1, 2019- June 30, 2020	84.027	152,067	<u>-</u>	<u>152,067</u>	<u>152,067</u>	<u>-</u>
<u>IDEA Preschool Entitlement</u>						
July 1, 2019- June 30, 2020	84.173	3,499	<u>-</u>	<u>3,499</u>	<u>3,499</u>	<u>-</u>
Total Special Education Cluster IDEA			<u>-</u>	<u>155,566</u>	<u>155,566</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE						
State of Wisconsin						
Wisconsin Department of Public Instruction						
<u>Food Distribution Program</u>						
July 1, 2019- June 30, 2020	10.555	10,576	-	10,576	10,576	-
<u>National School Lunch Program</u>						
July 1, 2019- June 30, 2020 - COVID 19	10.555	40,677	-	40,677	28,145	12,532
July 1, 2019- June 30, 2020		25,343	<u>651</u>	<u>25,343</u>	<u>25,994</u>	<u>-</u>
Total Child Nutrition Cluster			<u>651</u>	<u>76,596</u>	<u>64,715</u>	<u>12,532</u>
TOTALS			<u>\$ 12,202</u>	<u>\$ 273,390</u>	<u>\$ 261,512</u>	<u>\$ 24,080</u>

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

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2020

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>State Expenditures</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION		
General Equalization	255.201	\$ 37,310
Supplemental Per Pupil Aid	255.245	1,208
Special Education and School Age Parents	255.101	127,614
State Lunch	255.102	2,059
Common School Fund	255.103	14,056
Pupil Transportation	255.107	11,085
Educator Effectiveness	255.940	4,080
Per Pupil Adjustment Aid	255.945	267,120
Assessments of Reading Readiness	255.956	1,240
Robotics Lead Participation	255.959	<u>12,137</u>
Total Nonmajor Programs		<u>477,909</u>
 TOTALS		 <u>\$ 477,909</u>

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

LAKE COUNTRY SCHOOL DISTRICT

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

As of and for the year ended June 30, 2020

NOTE 1 – The Schedules of Expenditures of Federal and State Awards include all of the funds of Lake Country School District. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

State programs reported include only those programs required to be included by the *State Single Audit Guidelines*.

NOTE 2 – The accounting records for the grant programs are maintained on the modified accrual basis of accounting.

NOTE 3 – The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 4 – There were findings of internal control over financial reporting identified in the Auditor's Report on "Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of the Financial Statements Performed in Accordance with Government Auditing Standards for the year ended June 30, 2019. The prior year findings identified as Finding No.'s 2019-001 and 2019-002 are still applicable and are listed as Numbers 2020-001 and 2020-002.

NOTE 5 - Eligible costs for special education under project 011 were \$440,543 for the year ended June 30, 2020.

OTHER INFORMATION

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*

Independent Auditors' Report

To the School Board
Lake Country School District
Hartland, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Country School District ("District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Lake Country School District's basic financial statements and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, we consider to be material weaknesses. These material weaknesses are items 2020-001 and 2020-002.

To the School Board
Lake Country School District

Compliance and Other Matters

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

Lake Country School District's Response to Findings

Lake Country School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Lake Country School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 12, 2020

REPORT ON COMPLIANCE FOR EACH STATE PROGRAM WITH REQUIRED PROCEDURES;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

Independent Auditors' Report

To the School Board
Lake Country School District
Hartland, Wisconsin

Report on Compliance for Each State Program with Required Procedures

We have audited Lake Country School District's (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 state programs with required procedures for the year ended June 30, 2020. The District's state programs that have required procedures are identified in the summary of auditor's results section.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs with required procedures 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 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 the state programs with required procedures 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 state program with required procedures. However, our audit does not provide a legal determination of the District's compliance.

To the School Board
Lake Country School District

Opinion on Each State Program with Required Procedures

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 state programs with required procedures 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 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 state program with required procedures to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state program with required procedures 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 testing based on requirements of the *Wisconsin Public School District Manual*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 12, 2020

LAKE COUNTRY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2020

Section II: Financial Statement Findings

Finding No. 2020-001 - Segregation of Duties

<i>Criteria -</i>	Management is responsible for establishing and maintaining effective internal control over financial reporting, the selection and application of accounting principles and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.
<i>Condition -</i>	The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The District primarily operates its accounting and reporting functions with one individual.
<i>Cause -</i>	The District has not assigned duties to have appropriate controls in place.
<i>Questioned Costs -</i>	Not applicable.
<i>Effect -</i>	Errors or irregularities could occur and go unnoticed for an extended time.
<i>Recommendation -</i>	Continued monitoring and supervision of the accounting and reporting functions by management and the elected body. Monthly reporting of actual results, both revenues and expenditures, to budget.
<i>District Response and Corrective Action Plan -</i>	Although management does not prepare the financial statements, draft copies of the report is reviewed and approved prior to its issuance by management. This review includes verifying amounts to the general ledger and other documentation such as grant agreements, debt documents, etc. Management does attend annual training sessions which include content relating to current financial reporting requirements and new accounting standards. Currently, management has not implemented controls to evaluate and determine whether the financial statements conform to the requirements of accounting principles generally accepted in the United States of America. As such, management will continue to rely on the auditors to assist in preparing the District's financial statements.
<u>Finding No. 2020-002 - Financial Reporting</u>	
<i>Criteria -</i>	Statement on Auditing Standards AU - C 265 requires the communication to the Board of significant deficiencies and material weaknesses in the year end financial reporting process.
<i>Condition -</i>	The District's personnel do not have the necessary technical expertise in governmental accounting and reporting to prepare the District's financial statements in accordance with generally accepted accounting principles. The District has contracted with its auditing firm to perform this service.
<i>Cause -</i>	The District has chosen to have the auditors prepare the financial statements.
<i>Questioned Costs -</i>	Not applicable.
<i>Effect -</i>	Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.
<i>Recommendation -</i>	Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional cost that would be required to remedy the current condition.
<i>District Response and Corrective Action Plan -</i>	Although some segregation of duties issues exist due to the limited number of personnel, management believes that certain controls are in place to mitigate these issues, such as the review of bank reconciliations, payroll reports and journal entries by the administrator, other members of management or Board of Education members who possess the skills, knowledge and experience related to these processes to identify and correct errors.

Section III: State Programs with Required Procedures Compliance Findings

There are no findings required to be reported.