

**GILLETT SCHOOL DISTRICT**

**Annual Financial Report**

**June 30, 2020**

# GILLETT SCHOOL DISTRICT

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## **INDEPENDENT AUDITORS' REPORT**

## Independent Auditors' Report

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

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

To the Board of Education  
Gillett 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 Gillett School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the schedules of changes in total OPEB liability and related ratios - other post-employment benefits, employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System, and the budgetary comparison information on pages 37 through 44 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. 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 Gillett School District's basic financial statements. The combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor funds, combining schedule of internal general and special education funds – balance sheet, and combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards, state financial assistance, and changes in assets and liabilities – pupil activity fund are presented for purposes of additional analysis as required by the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction and are also not a required part of the basic financial statements.

To the Board of Education  
Gillett School District

*Supplementary Information (Continued)*

The combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor funds, combining schedule of internal general and special education funds – balance sheet, combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balance, schedule of changes in assets and liabilities – pupil activity fund, schedule of state financial assistance, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor funds, combining schedule of internal general and special education funds – balance sheet, combining schedule of internal general and special education funds – statement of revenues, expenditures and changes in fund balance, schedule of changes in assets and liabilities – pupil activity fund, schedule of state financial assistance, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, on our consideration of Gillett School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Gillett School District's internal control over financial reporting and compliance.

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
**Shawano, Wisconsin**  
November 25, 2020

## **FINANCIAL STATEMENTS**



**GILLETT SCHOOL DISTRICT**  
District-Wide Statement of Net Position  
As of June 30, 2020

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 1,429,963
Receivables:	
Taxes	885,187
Accounts	784
Interest	2,447
Due from State Government	87,333
Due from Federal Government	100,751
Due from Other Governments	43,961
Prepaid Expenses	940
<b>Total Current Assets</b>	<b>2,551,366</b>
<b>Noncurrent Assets</b>	
Land	62,425
Construction in Progress	159,434
Land Improvements	580,340
Buildings and Building Improvements	12,793,365
Furniture and Equipment	1,745,324
Less: Accumulated Depreciation	(7,722,823)
Total Capital Assets	7,618,065
Net Pension Asset	741,931
<b>Total Noncurrent Assets</b>	<b>8,359,996</b>
<b>TOTAL ASSETS</b>	<b>10,911,362</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources Related to Pension	1,633,481
Deferred Outflows of Resources Related to Other Post-Employment Benefits	49,694
<b>Total Deferred Outflows of Resources</b>	<b>1,683,175</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	267,073
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	291,797
Interest	25,330
Unearned Revenue	77,195
Current Portion of Long-Term Obligations	685,059
<b>Total Current Liabilities</b>	<b>1,346,454</b>
<b>Noncurrent Liabilities</b>	
Noncurrent Portion of Long-Term Obligations	4,898,610
<b>TOTAL LIABILITIES</b>	<b>6,245,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources Related to Pension	2,221,561
Deferred Inflows of Resources Related to Other Post-Employment Benefits	212,820
<b>Total Deferred Inflows of Resources</b>	<b>2,434,381</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,806,020
Restricted	546,170
Unrestricted (Deficit)	(437,098)
<b>TOTAL NET POSITION</b>	<b>\$ 3,915,092</b>

See Accompanying Notes

**GILLETT SCHOOL DISTRICT**

District-Wide Statement of Activities  
For the Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Instruction</b>				
Regular Instruction	\$ 2,473,783	\$ 10,839	\$ 400,745	\$ (2,062,199)
Vocational Instruction	294,878	-	10,344	(284,534)
Physical Instruction	237,590	-	-	(237,590)
Special Instruction	984,361	3,252	521,075	(460,034)
Other Instruction	145,197	23,429	-	(121,768)
<b>Total Instruction</b>	<u>4,135,809</u>	<u>37,520</u>	<u>932,164</u>	<u>(3,166,125)</u>
<b>Support Services</b>				
Pupil Services	365,769	-	-	(365,769)
Instructional Staff Services	566,425	99,521	70,167	(396,737)
General Administration Services	262,438	-	-	(262,438)
School Building Administration Services	367,155	4,350	-	(362,805)
Business Administration Services	1,251,365	-	106,229	(1,145,136)
Central Services	56,510	-	-	(56,510)
Insurance	90,241	-	-	(90,241)
Other Support Services	258,146	-	-	(258,146)
Community Services	33,998	3,346	-	(30,652)
Food Service Operations	283,057	49,613	181,825	(51,619)
Interest on Debt and Other Fiscal Charges	103,023	-	-	(103,023)
Depreciation - Unallocated	291,614	-	-	(291,614)
<b>Total Support Services</b>	<u>3,929,741</u>	<u>156,830</u>	<u>358,221</u>	<u>(3,414,690)</u>
<b>Non-Program Transactions</b>				
Open Enrollment	626,128	141,109	-	(485,019)
Non-Open Enrollment	128,841	-	-	(128,841)
<b>Total Non-Program Transactions</b>	<u>754,969</u>	<u>141,109</u>	<u>-</u>	<u>(613,860)</u>
<b>Total Governmental Activities</b>	<u>\$ 8,820,519</u>	<u>\$ 335,459</u>	<u>\$ 1,290,385</u>	<u>(7,194,675)</u>
<b>GENERAL REVENUES</b>				
Property Taxes:				
General Purpose				2,247,937
Debt Service				741,151
Community Services				45,000
State Aid not Restricted to				
Specific Functions:				
Equalization Aid				3,800,319
Per Pupil Aid				437,038
Exempt Computer Aid				697
Personal Property Aid				5,225
Sparsity Aid				239,362
High Poverty Aid				40,134
Interest and Investment Earnings				6,848
Sale of Assets				387
Insurance Dividend				4,141
Insurance Refund				11,390
Miscellaneous				9,782
<b>Total General Revenues</b>				<u>7,589,411</u>
<b>CHANGE IN NET POSITION</b>				<u>394,736</u>
<b>NET POSITION - BEGINNING OF YEAR</b>				<u>3,520,356</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 3,915,092</u>

See Accompanying Notes

**GILLETT SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
As of June 30, 2020

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>ASSETS</b>			
Cash	\$ 1,054,516	\$ 115,091	\$ 8,668
Receivables:			
Taxes	885,187	-	-
Accounts	-	-	-
Interest	2,447	-	-
Due from State Government	87,333	-	-
Due from Federal Government	94,854	-	-
Due from Other Governments	13,701	-	-
Due from Other Fund	-	8,668	-
Prepaid Expenditures	940	-	-
<b>Total Assets</b>	<u>\$ 2,138,978</u>	<u>\$ 123,759</u>	<u>\$ 8,668</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 216,754	\$ -	\$ -
Accrued Liabilities:			
Payroll, Payroll Taxes and Insurance	291,797	-	-
Unearned Revenue	-	-	-
Due to Other Fund	97,093	-	8,668
<b>Total Liabilities</b>	<u>605,644</u>	<u>-</u>	<u>8,668</u>
Fund Balances			
Nonspendable			
Prepaid Expenditures	940	-	-
Restricted for:			
Self-Funded Insurance	53,510	-	-
Debt Service	-	123,759	-
Capital Projects	-	-	-
Special Revenue Fund - Donor Intentions	-	-	-
Committed:			
Community Service Fund	-	-	-
Unassigned	1,478,884	-	-
<b>Total Fund Balances</b>	<u>1,533,334</u>	<u>123,759</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,138,978</u>	<u>\$ 123,759</u>	<u>\$ 8,668</u>

See Accompanying Notes

<u>Cooperative Program Fund</u>	<u>Long-Term Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 90,000	\$ 100,845	\$ 60,843	\$ 1,429,963
-	-	-	885,187
-	-	784	784
-	-	-	2,447
-	-	-	87,333
-	-	5,897	100,751
30,260	-	-	43,961
-	97,093	-	105,761
-	-	-	940
<u>\$ 120,260</u>	<u>\$ 197,938</u>	<u>\$ 67,524</u>	<u>\$ 2,657,127</u>
\$ 47,420	\$ -	\$ 2,899	\$ 267,073
-	-	-	291,797
72,840	-	4,355	77,195
-	-	-	105,761
<u>120,260</u>	<u>-</u>	<u>7,254</u>	<u>741,826</u>
-	-	-	940
-	-	-	53,510
-	-	-	123,759
-	197,938	-	197,938
-	-	42,442	42,442
-	-	17,828	17,828
-	-	-	1,478,884
<u>-</u>	<u>197,938</u>	<u>60,270</u>	<u>1,915,301</u>
<u>\$ 120,260</u>	<u>\$ 197,938</u>	<u>\$ 67,524</u>	<u>\$ 2,657,127</u>

See Accompanying Notes

**GILLETT SCHOOL DISTRICT**

Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position  
As of June 30, 2020

**Total Fund Balances - Governmental Funds** \$ 1,915,301

*Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:*

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Assets	15,340,888	
Governmental Accumulated Depreciation	<u>(7,722,823)</u>	7,618,065

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

Net Pension Asset		741,931
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Deferred outflows and inflows of resources are a consumption or acquisition of net position that applies to future periods and will not be recognized as an outflow or inflow of resources until then. Deferred outflows and inflows are reported in the statement of net position and are not reported in the fund balance sheet.

Deferred Outflows of Resources Related to Other Post-Employment Benefit	49,694	
Deferred Outflows of Resources Related to Pension	1,633,481	
Deferred Inflows of Resources Related to Pension	(2,221,561)	
Deferred Inflows of Resources Related to Other Post-Employment Benefit	<u>(212,820)</u>	(751,206)

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Certain liabilities reported in the statement of net position that are not reported in the funds balance sheet:

Bonds and Notes	(3,961,939)	
Premium on Notes	(42,955)	
Accrued Interest on General Obligation Debt	(25,330)	
Post-Employment Benefits	(1,539,431)	
Vested Employee Benefits	<u>(39,344)</u>	(5,608,999)

**Total Net Position - Governmental Activities:** \$ 3,915,092

**GILLETT SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund
<b>REVENUES</b>			
Property Taxes	\$ 2,247,937	\$ 741,151	\$ -
Other Local Sources	36,839	810	-
Interdistrict	151,583	-	-
Intermediate Sources	33,760	-	-
State Sources	5,108,247	-	-
Federal Sources	451,962	-	-
Other Sources	24,620	-	-
<b>Total Revenues</b>	<u>8,054,948</u>	<u>741,961</u>	<u>-</u>
<b>EXPENDITURES</b>			
<b>Instruction:</b>			
Regular Instruction	2,418,119	-	-
Vocational Instruction	283,387	-	-
Physical Instruction	234,015	-	-
Special Instruction	968,092	-	-
Other Instruction	130,238	-	-
<b>Total Instruction</b>	<u>4,033,851</u>	<u>-</u>	<u>-</u>
<b>Support Services:</b>			
Pupil Services	362,696	-	-
Instructional Staff Services	437,001	-	-
General Administration Services	258,221	-	-
School Building Administration Services	360,087	-	-
Business Administration Services	1,329,167	-	38,851
Central Services	53,151	-	-
Insurance	90,241	-	-
Community Services	-	-	-
Food Service Operations	-	-	-
Debt Service			
Principal	-	625,759	-
Interest and Fiscal Charges	-	116,341	-
Other Support Services	255,904	-	-
<b>Total Support Services</b>	<u>3,146,468</u>	<u>742,100</u>	<u>38,851</u>
<b>Non-Program Transactions:</b>			
Open Enrollment	626,128	-	-
Non-Open Enrollment	128,841	-	-
<b>Total Non-Program Transactions</b>	<u>754,969</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>7,935,288</u>	<u>742,100</u>	<u>38,851</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>119,660</u>	<u>(139)</u>	<u>(38,851)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from General Fund	-	-	-
Transfer from Capital Projects Fund	-	8,668	-
Transfer to Food Service	(11,282)	-	-
Transfer to Long-Term Capital Projects Fund	(97,093)	-	-
Transfer to Debt Service	-	-	(8,668)
Transfer to Cooperative Fund	(11,285)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(119,660)</u>	<u>8,668</u>	<u>(8,668)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>8,529</u>	<u>(47,519)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,533,334</u>	<u>115,230</u>	<u>47,519</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,533,334</u>	<u>\$ 123,759</u>	<u>\$ -</u>

See Accompanying Notes

<u>Cooperative Program Fund</u>	<u>Long-Term Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 45,000	\$ 3,034,088
-	-	74,815	112,464
99,521	-	-	251,104
-	-	-	33,760
15,645	-	4,003	5,127,895
-	-	177,823	629,785
-	845	694	26,159
<u>115,166</u>	<u>845</u>	<u>302,335</u>	<u>9,215,255</u>
-	-	5,629	2,423,748
-	-	-	283,387
-	-	497	234,512
-	-	-	968,092
-	-	2,097	132,335
-	-	<u>8,223</u>	<u>4,042,074</u>
-	-	-	362,696
126,451	-	-	563,452
-	-	-	258,221
-	-	-	360,087
-	-	7,394	1,375,412
-	-	1,162	54,313
-	-	-	90,241
-	-	33,998	33,998
-	-	276,769	276,769
-	-	-	625,759
-	-	-	116,341
-	-	-	255,904
<u>126,451</u>	<u>-</u>	<u>319,323</u>	<u>4,373,193</u>
-	-	-	626,128
-	-	-	128,841
-	-	-	754,969
<u>126,451</u>	<u>-</u>	<u>327,546</u>	<u>9,170,236</u>
<u>(11,285)</u>	<u>845</u>	<u>(25,211)</u>	<u>45,019</u>
11,285	97,093	11,282	119,660
-	-	-	8,668
-	-	-	(11,282)
-	-	-	(97,093)
-	-	-	(8,668)
-	-	-	(11,285)
<u>11,285</u>	<u>97,093</u>	<u>11,282</u>	<u>-</u>
-	97,938	(13,929)	45,019
-	100,000	74,199	1,870,282
<u>\$ -</u>	<u>\$ 197,938</u>	<u>\$ 60,270</u>	<u>\$ 1,915,301</u>

See Accompanying Notes

**GILLETT SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds to the District-Wide Statement of Activities  
For the Year Ended June 30, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 45,019
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	202,206	
Depreciation expense reported in the statement of activities	<u>(431,082)</u>	
Amount by which depreciation is more than capital outlay in the current period.		(228,876)
The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation resulting in a loss which is reported on the statement of activities and has no affect on the governmental funds.		
The amount of capital assets disposed of during the year	(11,232)	
The amount of depreciation recapture for the year	<u>11,232</u>	-
Pensions are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
		(28,932)
Other post-employment benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
		44,656
Compensated absences and post-employment benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Compensated absences paid in current year	45,019	
Compensated absences earned in current year	<u>(27,122)</u>	
Amounts paid are greater than amounts earned by		17,897
Post-employment benefits paid in current year	31,640	
Post-employment benefits earned in current year	<u>(125,745)</u>	
Amounts contributed are less than amounts earned by		(94,105)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year		625,759
Bond premium is allocated over the period the debt is outstanding and is reported as amortization expense in the statement of activities.		
Amortization of bond premium		9,145
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.		
The amount of interest paid during the current period	116,341	
The amount of interest accrued during the current period	<u>(112,168)</u>	
Interest paid is more than interest accrued by		<u>4,173</u>
<b>Change in Net Position - Governmental Activities:</b>		<u>\$ 394,736</u>



**GILLETT SCHOOL DISTRICT**

Statement of Net Position

Fiduciary Funds

As of June 30, 2020

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	<u>Scholarship Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 36,159	\$ 60,188
Certificates of Deposits	22,718	-
Investments	312,120	-
<b>Total Assets</b>	<u>370,997</u>	<u>60,188</u>
<b>LIABILITIES</b>		
Due to Student Groups	<u>-</u>	<u>60,188</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$ 370,997</u>	<u>\$ -</u>

See Accompanying Notes

**GILLETT SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020

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	<u>Scholarship Fund</u>
<b>ADDITIONS</b>	
Private Donations	\$ 13,777
Interest and Dividends	191
<b>Total Additions</b>	<u>13,968</u>
<b>DEDUCTIONS</b>	
Scholarships Awarded	<u>20,275</u>
<b>CHANGES IN NET POSITION</b>	(6,307)
<b>NET POSITION - BEGINNING</b>	<u>377,304</u>
<b>NET POSITION - ENDING</b>	<u>\$ 370,997</u>

See Accompanying Notes

# GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## **Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Gillett School District (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The more significant accounting policies established by GAAP and used by the District are discussed below.

### **Nature of Operations**

The Gillett School District is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades Kindergarten through 12 and is comprised of all or parts of nine taxing districts.

The accompanying financial statements present the activities of the Gillett School District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the stand alone government is financially accountable and (b) the stand alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand alone government.

### **District-Wide Financial Statements**

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

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. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) operating grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### **Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures.

# GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## Note 1 – Summary of Significant Accounting Policies (Continued)

### Fund Financial Statements (Continued)

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

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

### Governmental Funds

Governmental funds are identified as either general, special revenue, debt service, or capital projects based upon the following guidelines.

#### General Fund

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

#### Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

#### Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

#### Capital Projects Funds

Capital project funds are used to account for financial resources to be used for acquisition or construction of major capital expenditures.

### Fiduciary Funds (Not included in district-wide statements)

#### Agency Funds

Agency funds are used to account for assets held by the District as an agent for various student organizations.

#### Scholarship Fund

This fund reports a trust arrangement under which principal and income benefit a college scholarship program.

## GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Fund Financial Statements (Continued)

##### Major Funds

The District reports the following major governmental funds:

General Fund – The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Capital Project Fund – This fund is used to account for financial resources to be used for the acquisition or construction of equipment and major facilities.

Cooperative Program Fund – This fund accounts for the activities associated with the TRITON program, which it has with various districts.

Long-Term Capital Projects Fund – This fund accounts for contributions from the general fund for future long-term capital improvement plan expenditures.

##### Non-Major Funds

The District reports the following non-major funds:

Special Revenue Trust Fund – This fund accounts for funds from private gifts and donations from private parties.

Food Service Fund – This fund accounts for the activities associated with the District's hot lunch and breakfast programs.

Community Service Fund – This fund accounts for the activities related to the community recreation programs.

##### Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide and scholarship fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

## GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Measurement Focus and Basis of Accounting (Continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

#### Cash

The District's cash is considered to be cash on hand, demand deposits, and time deposits with financial institutions and are carried at cost. Cash balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in time deposits of authorized depositories, municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

#### Investments

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 or Level 3 inputs.

#### Property Taxes

The aggregate District tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable by the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the twentieth of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

**GILLETT SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2020

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Property Taxes (Continued)**

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2019 tax levy is used to finance operations of the District's fiscal year ended June 30, 2020. All property taxes are considered due on January 1<sup>st</sup>, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30<sup>th</sup> and are available to pay current liabilities.

**Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of intefund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Accounts Receivable**

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

**Capital Assets**

Capital assets are reported at actual or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated acquisition value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: assets with an initial individual cost of \$3,000 or higher and an estimated useful life in excess of one year. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for land improvements and buildings and improvements of 15-40 years and furniture and equipment of 5-10 years.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

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

**Pension and Other Post-Employment Benefits**

**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.

**GILLETT SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2020

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Other Post-Employment Benefits (OPEB).** The fiduciary net position of the District's single-employer other post-employment benefit plan has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, 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.

**Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Principal payments are recorded against the liability and interest payments are recorded as current expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and interest payments are recorded as current expenditures in the governmental funds.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the District that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the District that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses and revenues are deferred until the future periods to which the outflows and inflows are applicable. See Note 6 for deferred outflows and inflows of resources related to pension and Notes 7 and 8 for OPEB.

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the district-wide statement of net position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.



## GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Fund Equity Classifications

##### District-Wide Statements

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

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted component of net position – Consists of resources with constraints placed on the 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.
- Unrestricted component of net position – Net amount that does not meet the definition 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 Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent period. The School Board is the decision making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance, in the general fund, represents amounts constrained by the School Board for a specific intended purpose. The Board has not delegated that authority. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance since each fund established and activities therein are reviewed by the Board.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

## GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Fund Financial Statements (Continued)

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has adopted a minimum fund balance policy. The policy establishes a minimum unassigned fund balance equal to 8% of total general fund 2020 expenditures. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

### Note 2 – Cash and Investments

The debt service fund accounts for transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the scholarship fund and agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust with a company maturity in three years or less.
- 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, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant resolutions of the District. At June 30, 2020 the bank balance of cash was \$1,553,054. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

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**Note 2 – Cash and Investments (Continued)**

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governments. This coverage has not been considered in computing the uninsured deposits below.

The following represents a summary of deposits as of June 30, 2020:

Fully Insured Deposits	\$ 474,637
Collateralized with securities held by the pledging financial institution in the District's name	<u>1,078,417</u>
Total	<u>\$ 1,553,054</u>

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at June 30, 2020.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

As of June 30, 2020 the District had the following investments in its fiduciary funds:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Funds	<u>\$ 312,120</u>	<u>\$ 312,120</u>

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 2 – Cash and Investments (Continued)**

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations in the District's governmental activities. The District's investment policy does not further limit its investment choices. State law does not limit the investments for fiduciary trust funds. As of June 30, 2020, the District's investments in its fiduciary funds are in mutual funds which are not rated.

Concentration of Credit Risk – The District placed no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in mutual funds. These investments are 100% of the District's total investments.

**Note 3 – Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables for the year ended June 30, 2020, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Long-Term Capital Projects Fund	General Fund	\$ 97,093	Contribution to Capital Projects
Debt Service Fund	Capital Projects Fund	8,668	Transfer Residual Balance
		<u>\$ 105,761</u>	

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

<u>Transfer From:</u>	<u>Transfer To:</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Long-Term Capital Projects Fund	\$ 97,093	Contribution to Capital Projects
General Fund	Cooperative Fund	11,285	District's Share of TRITON Fees
General Fund	Food Service Fund	11,282	Cover Operating Expenses not Funded
Capital Projects Fund	Debt Service Fund	8,668	by Another Source
		<u>\$ 128,328</u>	Transfer Residual Balance

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 4 – Capital Assets**

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 62,425	\$ -	\$ -	\$ 62,425
Construction in Progress	-	159,434	-	159,434
Total Capital Assets Not Being Depreciated	<u>62,425</u>	<u>159,434</u>	<u>-</u>	<u>221,859</u>
Capital Assets Being Depreciated				
Land Improvements	580,340	-	-	580,340
Buildings and Improvements	12,793,365	-	-	12,793,365
Furniture and Equipment	1,713,784	42,772	11,232	1,745,324
Total Capital Assets Being Depreciated	<u>15,087,489</u>	<u>42,772</u>	<u>11,232</u>	<u>15,119,029</u>
Less Accumulated Depreciation For:				
Land Improvements	(367,346)	(21,251)	-	(388,597)
Buildings and Improvements	(5,490,451)	(353,205)	-	(5,843,656)
Furniture and Equipment	(1,445,176)	(56,626)	(11,232)	(1,490,570)
Total Accumulated Depreciation	<u>(7,302,973)</u>	<u>(431,082)</u>	<u>(11,232)</u>	<u>(7,722,823)</u>
 Total Capital Assets Being Depreciated, Net of Depreciation	 <u>7,784,516</u>	 <u>(388,310)</u>	 <u>-</u>	 <u>7,396,206</u>
 Governmental Activities Capital Assets, Net of Accumulated Depreciation	 <u>\$ 7,846,941</u>	 <u>\$ (228,876)</u>	 <u>\$ -</u>	 <u>\$ 7,618,065</u>

Depreciation expense for fiscal year ended June 30, 2020 amounted to \$431,082 and was charged to the following functions:

Instruction:	
Regular	\$ 16,162
Vocational	8,018
Special	4,323
Other	11,355
Support Services:	
Business Services	87,377
Operations and Maintenance	3,536
Central Services	2,184
Food Service	6,288
Other Support Services	225
Unallocated	291,614
Total Depreciation Expense	<u>\$ 431,082</u>

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 5 – Long-Term Obligations**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation -					
Promissory Notes	\$ 4,430,000	\$ -	\$ 575,000	\$ 3,855,000	\$ 600,000
State Trust Fund Loan	157,698	-	50,759	106,939	52,550
Total General Obligation Debt	<u>4,587,698</u>	<u>-</u>	<u>625,759</u>	<u>3,961,939</u>	<u>652,550</u>
Issuance Premium	52,100	-	9,145	42,955	-
Compensated Absences	57,241	27,122	45,019	39,344	32,509
Post-Employment Benefits	1,445,326	125,745	31,640	1,539,431	-
Net Pension Liability	<u>823,074</u>	<u>285,880</u>	<u>1,108,954</u> *	<u>-</u>	<u>-</u>
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 6,965,439</u>	<u>\$ 438,747</u>	<u>\$ 1,820,517</u>	<u>\$ 5,583,669</u>	<u>\$ 685,059</u>

\*In the current year, the District's position in the Wisconsin Retirement System is reported as a net pension asset, as a result of the latest actuarial valuation. More information on this asset may be found in Note 7.

Total interest expense for the year ended June 30, 2020 was \$116,341 for general obligation debt.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2020, is comprised of the following individual issues:

	<u>Issue Dates</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/20</u>
2017 G.O. Promissory Notes	12/27/17	03/01/27	1.80 - 2.71%	\$ 2,780,000	\$ 2,300,000
2015 G.O. Promissory Notes	03/03/15	03/01/25	2.00 - 3.00%	2,975,000	1,555,000
2012 State Trust Loan	06/12/12	03/15/22	3.50%	472,016	106,939
Total Long-Term Obligations					<u>\$ 3,961,939</u>

The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$324,179,038. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$324,179,038)		\$ 32,417,904
Deduct long-term debt applicable to debt margin	\$ 3,961,939	
Less: Amounts available for financing general obligation debt		
Debt service fund net of accrued interest	<u>98,429</u>	<u>3,863,510</u>
Margin of Indebtedness		<u>\$ 28,554,394</u>

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 5 – Long-Term Obligations (Continued)**

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2020, follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 652,550	\$ 102,242	\$ 754,792
2022	669,389	88,281	757,670
2023	630,000	70,668	700,668
2024	645,000	54,168	699,168
2025	665,000	36,833	701,833
2026-2027	700,000	28,246	728,246
	<u>\$ 3,961,939</u>	<u>\$ 380,438</u>	<u>\$ 4,342,377</u>

Compensated absences and post-employment benefits are excluded from the above cash flow requirements because repayment schedules have not been determined.

**Note 6 – Net Position****District-wide Statements**

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

Net Investment in Capital Assets	
Net Capital Assets	\$ 7,618,065
Less: Related Long-Term Outstanding	
2015 General Obligation Bonds	(1,555,000)
2017 General Obligation Bonds	(2,300,000)
Plus: Issuance Premium	42,955
Net Investment in Capital Assets	<u>3,806,020</u>
Restricted	
Debt Service	98,429
Insurance	53,510
Special Purpose - Donor Intentions	42,442
Capital Projects	197,938
Pension	153,851
Total Restricted	<u>546,170</u>
Unrestricted (Deficit)	<u>(437,098)</u>
Total District-Wide Net Position	<u>\$ 3,915,092</u>

The state trust loan dated June 12, 2012 with a balance of \$106,939 was used to refinance the Wisconsin Retirement Unfunded Liability and not for capital assets.

## GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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### Note 7 – Defined Benefit Pension Plan

#### **General Information About the Pension Plan**

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

ETF issues a standalone *Comprehensive Annual Financial Report (CAFR)*, 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 December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.



**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 7 – Defined Benefit Pension Plan (Continued)**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	(1.3)%	22%
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

**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 \$242,326 in contributions from the employer.

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

At June 30, 2020, the District reported an asset of \$741,931 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 0.02300952%, which was a decrease of 0.00012558% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$285,880.

**GILLETT SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2020

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**Note 7 – Defined Benefit Pension Plan (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual experiences	\$ 1,408,356	\$ 704,788
Changes in assumptions	57,816	-
Net differences between projected and actual investment earnings on pension plan investments	-	1,516,773
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	12,396	-
Employer contributions subsequent to the measurement date	154,913	-
<b>Total</b>	<b>\$ 1,633,481</b>	<b>\$ 2,221,561</b>

The \$154,913 reported as deferred outflows related to pension resulting from the WRS contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Net Deferred Outflows of Resources</b>
2021	\$ (217,968)
2022	(163,799)
2023	28,629
2024	(389,855)
	<b>\$ (742,993)</b>

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 7 – Defined Benefit Pension Plan (Continued)**

**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.

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

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

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

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

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 7 – Defined Benefit Pension Plan (Continued)**

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension asset for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75%. 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 asset.

**Sensitivity of the District's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.**

The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension 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:

	<b>1% Decrease to Discount Rate (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase to Discount Rate (8.0%)</b>
<b>District's Proportionate Share of the Net Pension Liability (Asset)</b>	\$ 1,910,607	\$ (741,931)	\$ (2,725,010)

**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>.

**Payables to the Pension Plan.** The District is required to remit the monthly required contribution for both the employee and District portions by the last day of the following month. The amount due to WRS as of June 30, 2020 is \$91,061.

**Note 8 – Post-Employment Benefits Other Than Pension Benefits**

**Plan Description and Contribution Information.** The Gillett School District operates a single-employer retiree benefit plan that provides post-employment health and dental insurance benefits to eligible employees. This plan is described below:

**Teaching Staff.** The District provides post-employment health, dental and life insurance benefits to any teachers who have reached the age of 55 and taught at least 15 years in the District. The District contributes towards medical and dental premiums equal to an amount made on behalf of active employees for a period up to 4 years based upon years of services as of July 1, 2012. Retirees may elect to continue their life insurance plan provided they contract the provider and self-pay the full amount (100%) of the premiums.

Teachers retired prior to July 1, 2012, receive continued medical and/or long-term care coverage subsidized by the District for a period up to 4 years.

# GILLETT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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## Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

**Superintendent.** The District also provides post-employment health and dental benefits to the superintendent who has reached the age of 55 and is eligible for retirement under the Wisconsin Retirement System after an accumulated 3 years of service. The District contributes 88% of medical premiums and 100% of dental premiums for a period of 2 years, plus an additional year for each successive 2 years of service, but to not exceed a total of 4 years.

**Elementary School Principal and Secondary Principal.** The District also provides post-employment health and dental benefits to the elementary school principal and pupil services director. These individuals must reach the age of 55 and have 15 years of service. The District contributes towards medical and dental premiums equal to an amount made on behalf of active employees frozen at the time of retirement for a period of 4 years.

**Support Staff (Year Round includes Aides, Bookkeeper, Food Service, Nurse, Custodians, Speech Therapist, and Secretaries).** The District also provides post-employment health and dental benefits to eligible support staff that are year round employees. Any support staff member hired prior to July 1, 2007, who has reached the age of 55 and provided 15 years of service receives medical and dental premiums equal to an amount made on behalf of active employees for a period of 3 years. Year round support staff shall receive the benefit for 4 years. If the period between retirement and Medicare eligibility is longer than 36/48 months, the retiree shall choose the 3-year/4-year period for which they wish to have contributions paid on their behalf. Support staff (year round and school year) retired prior to July 1, 2012 receive continued medical insurance 100% paid by the District.

Upon retirement, retirees may choose to self-pay the full (100%) amount of premiums to remain on the District's medical plan only for the duration of COBRA.

The actuarial cost method utilized was the entry age normal – level percentage of salary method. The valuation date and measurement date used of June 30, 2018. The actuarial assumptions included a 3.50% discount rate for valuing liabilities, a 3.50% municipal bond rate and a 2.50% assumed rate of inflation. The asset valuation method is market value with an average expected remaining service life of 10 years.

**Benefits Provided.** The Plan provides post-employment health and dental benefits to eligible teachers, administration, and support staff.

**Employees Covered by the Benefit Terms.** At June 30, 2018, the actuarial valuation measurement date, the District's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	88
	<u>94</u>

**Contributions.** The District has not established a trust or equivalent arrangement to fund its OPEB liability. Health premiums related to retirees are paid as they come due.

### Total OPEB Liability

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

The actuarial valuation was performed using the alternative measurement method, as permitted by GASB's statement Number 75 for employers with less than 100 employees.

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)**

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

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	3.00%
Healthcare Cost Trend Rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter.

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study conducted in 2015 using experience from 2012-2014.

The long-term expected rate of return on OPEB 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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100%	3.50%

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.00 percent as of the actuarial measurement date of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from the District will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

As of the measurement date of June 30, 2019, the discount rate was changed to 3.00 percent to be reflective of a 20-year AA municipal bond rate since assets are held solely as cash and cash equivalents.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
<b>Balance at 6/30/18</b>	<u>\$ 1,445,326</u>
<b>Changes for the year:</b>	
Service Cost	57,034
Interest	54,676
Differences Between Expected and Actual Experience	-
Changes of Assumptions or Other Input	14,035
Benefit Payments	(31,640)
Net Changes	<u>94,105</u>
<b>Balance at 6/30/19</b>	<u>\$ 1,539,431</u>

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the District's total OPEB liability calculated using the discount rate of 3.75 percent, as well as what the total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate.

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 1,595,736	\$ 1,539,431	\$ 1,483,483

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.** The following presents the District's total OPEB liability calculated using the current healthcare cost trend rate of 7.50 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (8.50 percent decreasing to 6.0 percent) than the current rate.

	<u>1% Decrease (6.5% decreasing to 4.0%)</u>	<u>Healthcare Cost Trend Rate (7.5% decreasing to 5.0%)</u>	<u>1% Increase (8.5% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 1,446,075	\$ 1,539,431	\$ 1,640,793

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$86,512.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ -	\$ 154,027
Changes in assumptions	12,631	58,793
Employer contributions subsequent to the measurement date	<u>37,063</u>	<u>-</u>
<b>Total</b>	<u>\$ 49,694</u>	<u>\$ 212,820</u>

The \$37,063 reported as deferred outflows of resources related to OPEB resulting from the OPEB contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized OPEB expense as follows:

**GILLETT SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)**

<b>Year Ending June 30,</b>	<b>Net Deferred Inflows of Resources</b>
2021	\$ (25,198)
2022	(25,198)
2023	(25,198)
2024	(25,198)
2025	(25,198)
Thereafter	(74,199)
	<u>\$ (200,189)</u>

**Payable to the OPEB Plan.** At June 30, 2020, the District had no outstanding contributions payable to the plan.

**Note 9 – Limitation on School District Revenues**

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum.

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

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

**Note 10 – 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; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the District purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

**Dental Self-Insurance**

At June 30, 2020, the District has reported liability of \$18,292, which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date.

The plan consists of payments to a third-part administrator for dental claims and administrative fees. At June 30, 2020 the District has reported expenditures of \$91,995, which consists of \$87,220 for dental claims and \$4,775 for administrative fees.

	<b>Beginning - of Fiscal - Year Liability</b>	<b>Current-Year Funding</b>	<b>Claim Payments</b>	<b>Balance At Fiscal Year End</b>
2017-2018	\$ 22,270	\$ 81,109	\$ 86,250	\$ 17,129
2018-2019	17,129	96,913	97,299	16,743
2019-2020	16,743	93,544	91,995	18,292



**GILLETT SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2020

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**Note 11 – Commitments and Contingencies**

The District has a service agreement for transportation services to be provided to the District for the 2020-2021 school year of approximately \$465,000.

The District has a service agreement for educational services to be provided to the District for the 2020-2021 school year of approximately \$197,000.

The District has a service agreement for facility improvements to be provided to the District for the 2020-2021. As of June 30, 2020, the remaining balance of the contract was \$82,627.

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

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2020, are not likely to have a material adverse impact on the District's financial position.

**Note 12 – Upcoming Accounting Pronouncements**

***GASB Statement No. 84, Fiduciary Activities***

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. If an activity meets the criteria, it should be reported in a fiduciary fund in the basic financial statements and a statement of fiduciary net position and a statement of changes in fiduciary net position should be presented. Four fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. If an event occurs that compels a government to disburse fiduciary resources, a liability must be recognized to the beneficiaries. The pronouncement will be effective for year ending June 30, 2021.

***GASB Statement No. 87, Leases***

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The pronouncement will be effective for year ending June 30, 2022.

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GILLETT SCHOOL DISTRICT**  
Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset)  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

**Schedule of Proportionate Share of the Net Pension (Asset) Liability**

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension (Asset)/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Asset/Liability as a percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability
12/31/2019	0.02300952%	\$ (741,931)	\$ 3,699,643	-20.05%	102.96%
12/31/2018	0.02313510%	823,074	3,541,353	23.24%	96.45%
12/31/2017	0.02386832%	(708,678)	3,398,020	-20.86%	102.93%
12/31/2016	0.02468280%	203,445	3,398,783	5.99%	99.12%
12/31/2015	0.02549906%	414,355	3,587,568	11.55%	98.20%
12/31/2014	0.02588416%	(635,786)	3,535,017	-17.99%	102.74%

Schedule of Employer Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	\$ 242,326	\$ 242,326	\$ -	\$ 3,771,294	6.43%
6/30/2019	237,270	237,270	-	3,631,903	6.53%
6/30/2018	236,323	236,323	-	3,514,985	6.72%
6/30/2017	235,403	235,403	-	3,505,397	6.72%
6/30/2016	225,807	225,807	-	3,377,078	6.69%
6/30/2015	236,544	236,544	-	3,439,982	6.88%

\*Ten years of data will be accumulated beginning with 2015.

**GILLETT SCHOOL DISTRICT**

Schedule of Changes in Total OPEB Liability and Related Ratios - Other Post-Employment Benefits  
Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 57,034	\$ 94,080	\$ 94,080
Interest	54,676	58,251	56,195
Differences Between Expected and Actual Experience	-	(192,533)	-
Changes in Assumptions	14,035	(73,491)	-
Benefit Payments	<u>(31,640)</u>	<u>(116,493)</u>	<u>(66,570)</u>
<b>Net Change in Total OPEB Liability</b>	\$ 94,105	\$ (230,186)	\$ 83,705
<b>Total OPEB Liability - Beginning</b>	1,445,326	1,675,512	1,591,807
<b>Total OPEB Liability - Ending</b>	<u>\$ 1,539,431</u>	<u>\$ 1,445,326</u>	<u>\$ 1,675,512</u>
<b>Covered Employee Payroll</b>	\$ 3,544,368	\$ 3,544,368	\$ 1,936,722
<b>District's Total OPEB Liability as a Percentage of the Total OPEB Liability</b>	43.43%	40.78%	86.51%

\*Ten years of data will be accumulated beginning with 2017.

**GILLETT SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Change in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2020

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b>REVENUES</b>		
Property Taxes	\$ 2,207,866	\$ 2,247,937
Other Local Sources	45,550	34,417
Interdistrict Sources	165,299	148,331
Intermediate Sources	8,000	8,957
State Sources	4,859,685	4,859,363
Federal Sources	238,120	239,172
Other Sources	25,692	23,748
<b>Total Revenues</b>	<u>7,550,212</u>	<u>7,561,925</u>
<b>EXPENDITURES</b>		
<b>Instruction:</b>		
Regular Instruction	2,466,571	2,418,371
Vocational Instruction	284,676	283,387
Physical Instruction	236,225	234,015
Other Instruction	164,873	124,799
<b>Total Instruction</b>	<u>3,152,345</u>	<u>3,060,572</u>
<b>Support Services:</b>		
Pupil Services	155,031	144,515
Instructional Staff Services	379,122	364,299
General Administration Services	257,752	257,191
School Building Administration Services	369,712	360,985
Business Administration Services	1,276,645	1,317,599
Central Services	54,475	53,303
Insurance	86,310	90,241
Other Support Services	255,270	262,809
<b>Total Support Services</b>	<u>2,834,317</u>	<u>2,850,942</u>
<b>Non-Program Transactions:</b>		
Open Enrollment	607,111	626,128
Non-Open Enrollment	41,762	66,714
<b>Total Non-Program Transactions</b>	<u>648,873</u>	<u>692,842</u>
<b>Total Expenditures</b>	<u>6,635,535</u>	<u>6,604,356</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>914,677</u>	<u>957,569</u>
<b>OTHER FINANCING USES</b>		
Transfer to Special Education Fund	(915,897)	(893,132)
Transfer to Long-Term Food Service Fund	-	(13,930)
Transfer to Other Cooperatives Fund	1,220	(11,335)
Transfer to Long-Term Capital Projects Fund	-	-
<b>Total Other Financing Uses</b>	<u>(914,677)</u>	<u>(918,397)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	39,172
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,533,334</u>	<u>1,533,334</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,533,334</u>	<u>\$ 1,572,506</u>

See Accompanying Notes to Required Supplementary Information

Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 2,247,937	\$ -
36,839	2,422
148,331	-
8,957	-
4,859,362	(1)
237,521	(1,651)
24,620	872
<u>7,563,567</u>	<u>1,642</u>
2,418,119	252
283,387	-
234,015	-
130,238	(5,439)
<u>3,065,759</u>	<u>(5,187)</u>
146,336	(1,821)
359,075	5,224
258,221	(1,030)
360,087	898
1,304,963	12,636
52,299	1,004
90,241	-
255,904	6,905
<u>2,827,126</u>	<u>23,816</u>
626,128	-
60,881	5,833
<u>687,009</u>	<u>5,833</u>
6,579,894	24,462
<u>983,673</u>	<u>26,104</u>
(864,013)	29,119
(11,282)	2,648
(11,285)	50
(97,093)	(97,093)
<u>(983,673)</u>	<u>(65,276)</u>
-	(39,172)
1,533,334	-
<u>\$ 1,533,334</u>	<u>\$ (39,172)</u>

See Accompanying Notes to Required Supplementary Information

**GILLETT SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Change in Fund Balance  
Budget and Actual  
Cooperative Program Fund  
For the Year Ended June 30, 2020

	<b>Budgeted Amounts Original and Final</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interdistrict Sources	\$ 29,401	\$ 99,521	\$ 70,120
State Sources	-	15,645	15,645
<b>Total Revenues</b>	<u>29,401</u>	<u>115,166</u>	<u>85,765</u>
<b>EXPENDITURES</b>			
<b>Support Services:</b>			
Instructional Staff Services	27,401	126,451	(99,050)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,000</u>	<u>(11,285)</u>	<u>(13,285)</u>
<b>OTHER FINANCING USES</b>			
Transfer from General Fund	-	11,285	11,285
Transfer to General Fund	(2,000)	-	2,000
<b>Total Other Financing Uses</b>	<u>(2,000)</u>	<u>11,285</u>	<u>13,285</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GILLETT SCHOOL DISTRICT**  
Notes to Required Supplementary Information  
June 30, 2020

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**Budgets and Budgetary Accounting**

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

- Based upon requests from district staff, district administration recommends budget proposals to the school board.
- The school board reviews the proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30th fiscal year.
- Pursuant to a public budget hearing, the school board may make alterations to the proposed budget.
- Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire school board.
- Appropriations lapse at year-end unless authorized as carryover by the school board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

**Basis of Accounting**

The budget is prepared on the same modified accrual basis of accounting as applied in the governmental funds in the basic financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

**Excess Expenditures Over Budget**

The following individual functions had an excess of expenditures over the budget for the year ended June 30, 2020:

Expenditures	Excess Expenditures
<b>General Fund</b>	
Other Instruction	\$ 5,439
Pupil Services	1,821
General Administration Services	1,030
<b>Cooperative Program Fund</b>	
Instructional Staff Services	99,050



**GILLETT SCHOOL DISTRICT**  
Notes to Required Supplementary Information - Continued  
June 30, 2020

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**Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>General Fund</u>
<b>Sources/Inflows of Resources</b>	
Actual Amounts (Budgetary Basis) "Total Revenues" from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 7,563,567
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	491,381
Total Revenues Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	\$ 8,054,948
<b>Uses/Outflows of Resources</b>	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Uses" from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 7,563,567
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	1,355,394
The Transfer to the Special Education Fund is Eliminated because it is Considered to be all part of the General Fund.	(864,013)
Total Expenditures and Other Financing Uses Reported on the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	\$ 8,054,948

**GILLETT SCHOOL DISTRICT**  
Notes to Required Supplementary Information - Continued  
June 30, 2020

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**Defined Benefit Pension Plan**

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

*Changes in assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total pension asset changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

**Post-Employment Benefits Other Than Pension Benefits**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in other post-employment benefits.

*Changes of assumptions.* As of the measurement date of June 30, 2019, the discount rate was changed to 3.50 percent to be reflective of a 20-year AA municipal bond rate since assets are held solely as cash and cash equivalents.

## **SUPPLEMENTARY INFORMATION**

**GILLETT SCHOOL DISTRICT**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 As of June 30, 2020

	<b>Special Revenue Trust Fund</b>	<b>Food Service Fund</b>	<b>Community Service Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash	\$ 41,658	\$ 1,357	\$ 17,828	\$ 60,843
Accounts Receivable	784	-	-	784
Due From Federal Government	-	5,897	-	5,897
<b>TOTAL ASSETS</b>	<b><u>\$ 42,442</u></b>	<b><u>\$ 7,254</u></b>	<b><u>\$ 17,828</u></b>	<b><u>\$ 67,524</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts Payable	\$ -	\$ 2,899	\$ -	\$ 2,899
Unearned Revenue	-	4,355	-	4,355
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>7,254</u></b>	<b><u>-</u></b>	<b><u>7,254</u></b>
<b>FUND BALANCES</b>				
Restricted for:				
Donor Intentions	42,442	-	-	42,442
Committed:				
Community Service	-	-	17,828	17,828
<b>Total Fund Balances</b>	<b><u>42,442</u></b>	<b><u>-</u></b>	<b><u>17,828</u></b>	<b><u>60,270</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 42,442</u></b>	<b><u>\$ 7,254</u></b>	<b><u>\$ 17,828</u></b>	<b><u>\$ 67,524</u></b>

**GILLETT SCHOOL DISTRICT**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2020

	<b>Special Revenue Trust Fund</b>	<b>Food Service Fund</b>	<b>Community Service Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 45,000	\$ 45,000
Other Local Sources	21,857	49,612	3,346	74,815
State Sources	-	4,003	-	4,003
Federal Sources	-	177,823	-	177,823
Other Sources	524	170	-	694
<b>Total Revenues</b>	<u>22,381</u>	<u>231,608</u>	<u>48,346</u>	<u>302,335</u>
<b>EXPENDITURES</b>				
Regular Instruction	5,629	-	-	5,629
Physical Instruction	497	-	-	497
Other Instruction	2,097	-	-	2,097
Business Administration Services	1,597	-	5,797	7,394
Central Services	1,162	-	-	1,162
Food Service Operations	-	276,769	-	276,769
Community Services	-	-	33,998	33,998
<b>Total Expenditures</b>	<u>10,982</u>	<u>276,769</u>	<u>39,795</u>	<u>327,546</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>11,399</u>	<u>(45,161)</u>	<u>8,551</u>	<u>(25,211)</u>
<b>OTHER FINANCING SOURCE</b>				
Transfer from General Fund	-	11,282	-	11,282
<b>NET CHANGE IN FUND BALANCES</b>	11,399	(33,879)	8,551	(13,929)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>31,043</u>	<u>33,879</u>	<u>9,277</u>	<u>74,199</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 42,442</u>	<u>\$ -</u>	<u>\$ 17,828</u>	<u>\$ 60,270</u>

**GILLETT SCHOOL DISTRICT**  
Schedule of Changes in Assets and Liabilities  
Pupil Activity Fund  
For the Year Ended June 30, 2020

	<u>Balance</u> <u>7/1/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/20</u>
<b>ASSETS</b>				
Cash	\$ 59,336	\$ 115,160	\$ 114,308	\$ 60,188
<b>LIABILITIES</b>				
Due to Student Organizations:				
Elementary School	\$ 476	\$ 50	\$ 277	\$ 249
Middle School	3,016	4,641	3,183	4,474
High School	55,844	110,469	110,848	55,465
<b>TOTAL LIABILITIES</b>	<u>\$ 59,336</u>	<u>\$ 115,160</u>	<u>\$ 114,308</u>	<u>\$ 60,188</u>

**GILLETT SCHOOL DISTRICT**  
Combining Schedule of Internal General and Special Education Funds  
Balance Sheets  
As of June 30, 2020

	General Fund	Special Education Fund	Eliminations	Total General Fund
<b>ASSETS</b>				
Cash	\$ 1,054,516	\$ -	\$ -	\$ 1,054,516
Receivables:				
Taxes	885,187	-	-	885,187
Interest	2,447	-	-	2,447
Due from State Government	87,333	-	-	87,333
Due from Federal Government	63,419	31,435	-	94,854
Due from Other Government	1,388	12,313	-	13,701
Due from Other Fund	43,748	-	(43,748)	-
Prepaid Expenditures	940	-	-	940
<b>Total Assets</b>	<u>\$ 2,138,978</u>	<u>\$ 43,748</u>	<u>\$ (43,748)</u>	<u>\$ 2,138,978</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 216,754	\$ -	\$ -	\$ 216,754
Accrued Liabilities:				
Payroll, Payroll Taxes and Insurance	291,797	-	-	291,797
Due to Other Fund	97,093	43,748	(43,748)	97,093
<b>Total Liabilities</b>	<u>605,644</u>	<u>43,748</u>	<u>(43,748)</u>	<u>605,644</u>
Fund Balance				
Nonspendable:				
Prepaid Expenditures	940	-	-	940
Restricted:				
Self-Funded Insurance	53,510	-	-	53,510
Unassigned	1,478,884	-	-	1,478,884
<b>Total Fund Balances</b>	<u>1,533,334</u>	<u>-</u>	<u>-</u>	<u>1,533,334</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,138,978</u>	<u>\$ 43,748</u>	<u>\$ (43,748)</u>	<u>\$ 2,138,978</u>

**GILLETT SCHOOL DISTRICT**  
Combining Schedule of Internal General and Special Education Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2020

	General Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Property Taxes	\$ 2,247,937	\$ -	\$ 2,247,937
Other Local Sources	36,839	-	36,839
Interdistrict	148,331	3,252	151,583
Intermediate Sources	8,957	24,803	33,760
State Sources	4,859,362	248,885	5,108,247
Federal Sources	237,521	214,441	451,962
Other Sources	24,620	-	24,620
<b>Total Revenues</b>	<u>7,563,567</u>	<u>491,381</u>	<u>8,054,948</u>
<b>EXPENDITURES</b>			
<b>Instruction:</b>			
Regular Instruction	2,418,119	-	2,418,119
Vocational Instruction	283,387	-	283,387
Physical Instruction	234,015	-	234,015
Special Instruction	-	968,092	968,092
Other Instruction	130,238	-	130,238
<b>Total Instruction</b>	<u>3,065,759</u>	<u>968,092</u>	<u>4,033,851</u>
<b>Support Services:</b>			
Pupil Services	146,336	216,360	362,696
Instructional Staff Services	359,075	77,926	437,001
General Administration Services	258,221	-	258,221
School Building Administration Services	360,087	-	360,087
Business Administration Services	1,304,963	24,204	1,329,167
Central Services	52,299	852	53,151
Insurance	90,241	-	90,241
Other Support Services	255,904	-	255,904
<b>Total Support Services</b>	<u>2,827,126</u>	<u>319,342</u>	<u>3,146,468</u>
<b>Non-Program Transactions:</b>			
Open Enrollment	626,128	-	626,128
Non-Open Enrollment	60,881	67,960	128,841
<b>Total Non-Program Transactions</b>	<u>687,009</u>	<u>67,960</u>	<u>754,969</u>
<b>Total Expenditures</b>	<u>6,579,894</u>	<u>1,355,394</u>	<u>7,935,288</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>983,673</u>	<u>(864,013)</u>	<u>119,660</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Special Education Fund	(864,013)	-	(864,013)
Transfer from General Fund	-	864,013	864,013
Transfer to Food Service Fund	(97,093)	-	(97,093)
Transfer to Long Term Capital Projects	(11,282)	-	(11,282)
Transfer to Cooperative Fund	(11,285)	-	(11,285)
<b>Total Other Financing Sources (Uses)</b>	<u>(983,673)</u>	<u>864,013</u>	<u>(119,660)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,533,334</u>	<u>-</u>	<u>1,533,334</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,533,334</u>	<u>\$ -</u>	<u>\$ 1,533,334</u>



## **ADDITIONAL REPORTS**

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education  
Gillett School District  
Gillett, 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 Gillett 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 District's basic financial statements and have issued our report thereon dated November 25, 2020.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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 a certain deficiency in internal control described in the accompanying *schedule of findings and responses* as item 2020-001 that we consider to be a material weakness.

To the Board of Education  
Gillett School District

### **Compliance and Other Matters**

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

### **Gillett School District Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
**Shawano, Wisconsin**  
November 25, 2020

**Independent Auditors' Report on Compliance for the Major State Program and on Internal Control  
Over Compliance Required by Wisconsin Department of Public Instruction**

To the Board of Education  
Gillett School District  
Gillett, Wisconsin

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

We have audited Gillett 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 the District's major state program for the year ended June 30, 2020. The District's major state program is identified in the accompanying schedule of findings and responses.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major State Program***

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

To the Board of Education  
Gillett School District

## **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 the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 intended 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.

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
**Shawano, Wisconsin**  
November 25, 2020

**FEDERAL AND STATE AWARDS SECTION**

**GILLETT SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Awarding Agency/ Award Description/ Pass-Through Agency	Federal Catalog Number	Pass-through I.D. Number	Program Award or Amount
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>CHILD NUTRITION CLUSTER:</i>			
Wisconsin Department of Public Instruction			
Non-Cash Assistance (Commodities):			
Food Distribution	10.555		
July 1, 2019 - June 30, 2020		2020-422128-DPI-NSL-547	\$ N/A
Cash Assistance:			
School Breakfast Program	10.553		
July 1, 2019 - June 30, 2020		2020-422128-DPI-SB-SEVERE-546	N/A
School Breakfast Program - COVID-19	10.553		
July 1, 2019 - June 30, 2020		2020-422128-DPI-SB-SEVERE-546	N/A
National School Lunch Program	10.555		
July 1, 2019 - June 30, 2020		2020-422128-DPI-NSL-547	N/A
National School Lunch Program - COVID-19	10.555		
July 1, 2019 - June 30, 2020		2020-422128-DPI-NSL-547	N/A
Summer Food Service Program	10.559		
July 1, 2018 - June 30, 2019		2019-422128-SFSP-586	N/A
July 1, 2019 - June 30, 2020		2020-422128-DPI-SFSP-566	N/A
Summer Food Service Program - COVID-19	10.559		
July 1, 2019 - June 30, 2020		2020-422128-DPI-SFSP-566	N/A
<b>TOTAL CHILD NUTRITION AND U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>TITLE I GRANTS TO LOCAL EDUCATION AGENCIES</i>			
Wisconsin Department of Public Instruction			
July 1, 2018 - June 30, 2019	84.010A	2019-422128-TIA-141	135,808
July 1, 2019 - June 30, 2020		2020-422128-TIA-141	137,503
<i>SPECIAL EDUCATION CLUSTER:</i>			
Wisconsin Department of Public Instruction			
IDEA Flow Through	84.027A		
July 1, 2018 - June 30, 2019		2019-422128-DPI-IDEA-FT-341	151,849
July 1, 2019 - June 30, 2020		2020-422128-DPI-IDEA-F-341	153,296
IDEA Preschool Entitlement	84.173A		
July 1, 2018 - June 30, 2019		2019-422128-DPI-IDEA-P-347	11,304
July 1, 2019 - June 30, 2020		2020-422128-DPI-IDEA-P-347	11,403
<b>Total Special Education Cluster</b>			

Accrued Receivable 7/1/2019	Revenues Grantor Reimbursement	Expenditures	Accrued Receivable 6/30/20
\$ -	\$ 18,756	\$ 18,756	\$ -
-	21,714	21,714	-
-	1,986	1,986	-
-	80,628	80,628	-
-	6,986	6,986	-
6,043	6,043	-	-
-	9,472	9,472	-
-	24,916	30,813	5,897
<u>6,043</u>	<u>170,501</u>	<u>170,355</u>	<u>5,897</u>
50,641	50,641	-	-
-	85,016	135,827	50,811
49,146	49,146	-	-
-	125,089	154,258	29,169
3,699	3,699	-	-
-	9,903	9,903	-
<u>52,845</u>	<u>187,837</u>	<u>164,161</u>	<u>29,169</u>

The accompanying notes are an integral part of this schedule



**GILLETT SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards-Continued  
For the Year Ended June 30, 2020

Awarding Agency/ Award Description/ Pass-Through Agency	Federal Catalog Number	State I.D. Number	Program Award or Amount
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
<i>CARL PERKINS</i>			
CESA #8 July 1, 2019 - June 30, 2020	84.048	2020-422128-CTE-400	\$ 7,645
<i>TITLE II-A ENGLISH LANGUAGE ACQUISITION</i>			
CESA #7 July 1, 2019 - June 30, 2020	84.365A	2020-422128-TIIA-365	1,974
<i>ESEA-TITLE II-A PUBLIC</i>			
Wisconsin Department of Public Instruction July 1, 2018 - June 30, 2019 July 1, 2019 - June 30, 2020	84.367A	2019-422128-TIIA-365 2020-422128-TIIA-365	24,995 26,714
<i>SMALL, RURAL SCHOOL ACHIEVEMENT PROGRAM</i>			
Direct Award July 1, 2018 - September 30, 2019 July 1, 2019 - September 30, 2020	84.358A	N/A N/A	24,100 23,276
<i>STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM</i>			
Wisconsin Department of Public Instruction July 1, 2018 - June 30, 2019 July 1, 2019 - June 30, 2020	84.424	2019-422128-TIVA-DPI-381 2020-422128-TIVA-DPI-381	10,000 10,000
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			
<b>U.S. DEPARTMENT OF HEALTH AND FAMILY SERVICES</b>			
<i>MEDICAID CLUSTER</i>			
<b>MEDICAL ASSISTANCE PROGRAM</b>			
Passed through Wisconsin Department of Health Services July 1, 2018 - June 30, 2019 July 1, 2019 - June 30, 2020	93.778	Unknown Unknown	N/A
<b>TOTAL FEDERAL ASSISTANCE</b>			

<u>Accrued Receivable 7/1/2019</u>	<u>Revenues Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/20</u>
\$ -	\$ 5,495	\$ 6,996	\$ 1,501
-	1,961	1,961	-
10,741	10,741	-	-
-	15,148	26,255	11,107
14,906	15,624	718	-
-	19,475	19,475	-
144	144	-	-
-	9,766	9,766	-
<u>129,277</u>	<u>401,848</u>	<u>365,159</u>	<u>92,588</u>
1,271	1,271	-	-
-	100,962	103,228	2,266
<u>\$ 136,591</u>	<u>\$ 674,582</u>	<u>\$ 638,742</u>	<u>\$ 100,751</u>

The accompanying notes are an integral part of this schedule

**GILLETT SCHOOL DISTRICT**  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2020

Awarding Agency/ Award Description/ Pass-Through Agency	State I.D. Number	State Pass Through ID Number
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>		
<b>ENTITLEMENT PROGRAMS</b>		
<i>MAJOR STATE PROGRAM:</i>		
Handicapped Pupil and School Age Parents:		
Internal District Program	255.101	422128-100
CESA #8 Program	255.101	422128.10
General Equalization - DPI	255.201	422128-116
Sparsity Aid	255.212	422128-162
Aid for High Poverty School District - DPI	255.926	422128-121
Per Pupil Aid - DPI	255.945	422128-113
<b>TOTAL STATE PROGRAMS WITH REQUIRED PROCEDURES</b>		
<i>NONMAJOR STATE PROGRAMS</i>		
Pupil Transportation - DPI	255.107	422128-102
State Lunch - DPI	255.102	422128-107
State Breakfast Program - DPI	255.344	422128-117
Common School Fund Library Aid - DPI	255.103	422128-104
Student Achievement Guarantee in Education - DPI	255.504	422128-160
Supplemental Per Pupil Aid - DPI	255.245	422128-181
Early College Credit Program - DPI	255.445	422128-178
Educator Effective Eval Sys Grants Public - DPI	255.940	422128-154
High Cost Transportation Aid - DPI	255.947	422128-114
Financial Literacy - DPI	255.950	422128-152
Career and Technical Education Incentive Grants - DPI	255.950	422125-152
Assesment of Reading Readiness - DPI	255.956	422128-166
Aid for Special Education Transition Grant - DPI	255.960	422128-168
Aids in Lieu of Taxes - WI DNR	N/A	N/A
School Safety Initiative Grant - WI DOJ	455.206	N/A
Personal Property Aid - DOR	N/A	N/A
Exempt Computer State Aid - DOR	N/A	N/A
Teacher Training Grants for Educational Technology - DOA	N/A	N/A
<b>TOTAL NON-MAJOR STATE PROGRAMS</b>		
<b>TOTAL STATE ASSISTANCE</b>		

<u>Accrued Receivable 7/1/19</u>	<u>State Reimbursements</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/20</u>
\$ -	\$ 245,885	\$ 245,885	\$ -
-	24,803	24,803	-
62,989	3,801,066	3,800,320	62,243
-	239,362	239,362	-
-	40,134	40,134	-
-	437,038	437,038	-
<u>62,989</u>	<u>4,788,288</u>	<u>4,787,542</u>	<u>62,243</u>
-	21,949	21,949	-
-	2,531	2,531	-
-	1,472	1,472	-
-	24,710	24,710	-
-	193,431	193,431	-
-	1,977	1,977	-
-	112	112	-
-	3,760	3,760	-
-	59,710	59,710	-
1,515	1,515	-	-
-	3,348	3,348	-
-	871	871	-
-	3,000	3,000	-
-	682	682	-
25,594	25,770	24,570	24,394
-	5,225	5,225	-
696	696	696	696
-	17,112	17,112	-
<u>27,805</u>	<u>367,871</u>	<u>365,156</u>	<u>25,090</u>
<u>\$ 90,794</u>	<u>\$ 5,156,159</u>	<u>\$ 5,152,698</u>	<u>\$ 87,333</u>

The accompanying notes are an integral part of this schedule

## GILLETT SCHOOL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
June 30, 2020

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### **Note 1 – Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Gillett School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Wisconsin Department of Public Instruction and *Wisconsin Public School District Audit Manual*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

### **Note 2 – Special Education and School Age Parents Program**

2019 - 2020 eligible costs under the State Special Education Program are \$1,061,784.

### **Note 3 – Oversight Agencies**

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

**GILLETT SCHOOL DISTRICT**  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2020

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements?	No

**State Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required in accordance with the Wisconsin Public School District Audit Manual	No

Identification of major state programs:

State I.D. Number	Name of State Program
255.101	Handicapped Pupils and School Age Parents
255.201	General Equalization
255.212	Sparsity Aid
255.926	Aid for High Poverty School District
255.945	Per Pupil Aid

**GILLETT SCHOOL DISTRICT**  
Schedule of Findings and Responses - Continued  
For the Year Ended June 30, 2020

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**Section II - Financial Statement Findings**

**Finding No.**

**2020-001**

**Lack of Segregation of Duties**

**Prior Year Audit Finding:** 2019-001

**Condition:** During our audit, we noted that the District has limited staff which does not allow for the proper segregation of duties.

**Cause:** Due to limited staff management is unable to properly segregate duties.

**Criteria:** Board of Education and management are responsible for establishing and maintaining internal controls over financial reporting to prevent misstatements in their financial reporting.

**Effect:** Because of the lack of segregation of duties, unauthorized transactions or misstatements as a result of errors could occur.

**Recommendation:** We recognize that the District is not large enough to make the employment of additional persons for the purpose of segregation of duties practical from a financial standpoint. Therefore, the Board of Education should rely on its direct knowledge of the District's operations and thoroughly review financial reports to control and safeguard assets and insure accurate financial reporting.

**Management's Response:** The District is aware of the lack of segregation of duties caused by the limited size of its staff and therefore, agrees with this matter. The District will continue to improve the segregation of duties wherever possible and will continue to have the Board of Education's involvement in the review and approval process as much as is practical.

**Responsible Officials:** Todd Carlson, Superintendent  
Heather Schowalter, District Bookkeeper

**Anticipated Completion Date:** The District will implement the necessary changes. This finding will not completely resolve itself given the overall size of the entity and limited staff.

**GILLETT SCHOOL DISTRICT**  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2020

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**Financial Statement Finding**

**2019-001 – Segregation of Duties** - See corrective action plan finding 2020-001.

**State Award Finding**

**2019-002 – Handicapped Education Aid** - The District had an employee working in special education that did not hold a valid license. The District did not have controls in place to make sure that each employee working in special education was properly licensed.

**Current Status** - The District has resolved this issue in the 2019-2020 school year.



## **Corrective Action Plan**

### **Financial Statement Finding**

**2020-001 - Segregation of Duties** - The District is aware of the lack of segregation of duties caused by the limited size of its staff. Segregation of duties is enhanced whenever possible and the Board of Education reviews receipts, disbursements, transactions and monthly financial statements.

**Responsible Officials** - Todd Hencsik Superintendent  
Heather Schowalter, District Bookkeeper

**Anticipated Completion Date** – This finding will not completely resolve itself given the size of the District and the limited staff.

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