

CLINTON COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Clinton Community School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

611 N. Barker Road, Suite 200 Brookfield, WI 53045 | Phone: 262.860.1724 | Fax: 262.860.1726
326 Center Street, Lake Geneva, WI 53147 | Phone: 262.248.6281 | Fax: 262.248.6088
1715 West Paradise Drive, West Bend, WI 53095 | Phone: 262.338.0159 | Fax: 262.338.2415
7040 N. Green Bay Ave. Milwaukee, WI 53209 | Phone: 414.351.5511 | Fax: 414.351.6696

To the Board of Education
Clinton Community School District

Emphasis of Matter

Prior Period Adjustment

As described in Note R and Note S to the financial statements, the June 30, 2019 financial statements have been restated to correct fund balances of Special Revenue Fund, Agency Fund and Net Position of Governmental Activities, Fiduciary due to implementation of GASB No. 84.

Other Matters

Required Supplementary Information

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

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 Government 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.

Other Information

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

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

To the Board of Education
Clinton Community School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
December 28, 2020

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 5,523,421
Receivables:	
Taxes	1,278,094
Accounts	3,770
Restricted cash and investments	2,601,583
Due from other governments	539,636
Net WRS pension asset	1,501,714
Capital Assets:	
Land	437,275
Depreciable, net of accumulated depreciation	13,076,469
TOTAL ASSETS	24,961,962
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to WRS pensions	5,865,973
Deferred outflows related to LRLIF	168,747
Deferred outflows related to other post-employment benefit	252,656
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,287,376
<u>LIABILITIES</u>	
Accounts payable	78,659
Accrued payroll	188,325
Withholding and related fringes payable	2,993,997
Long-term debt obligations, due within one year	328,916
Accrued interest payable	16,598
Long-term debt obligations, due in more than one year	1,163,162
Net LRLIF liability	399,125
Other post-employment benefit	259,551
TOTAL LIABILITIES	5,428,333
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred revenue	24,335
Deferred inflows related to WRS pensions	7,118,704
Deferred inflows related to LRLIF	75,221
TOTAL DEFERRED INFLOWS OF RESOURCES	7,218,260
<u>NET POSITION</u>	
Net investment in capital assets	12,021,666
Restricted for:	
Debt service	10,860
Capital improvement	1,325,871
Community service	28,701
Unrestricted	5,215,647
TOTAL NET POSITION	\$ 18,602,745

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>Instruction:</u>					
Regular instruction	\$ 5,388,003	\$ 79,602	\$ -	\$ -	\$ (5,308,401)
Special education instruction	1,502,960	-	695,297	-	(807,663)
Vocational instruction	741,412	-	-	-	(741,412)
Other instruction	571,357	-	171,032	-	(400,325)
Total instruction	8,203,732	79,602	866,329	-	(7,257,801)
<u>Support Services:</u>					
Pupil services	617,571	-	-	-	(617,571)
Instructional staff services	561,540	-	-	-	(561,540)
Administration services	1,295,515	-	-	-	(1,295,515)
Operation and maintenance of plant	2,443,065	-	-	-	(2,443,065)
Pupil transportation	508,732	-	-	-	(508,732)
Central services	60,445	-	-	-	(60,445)
Other support services	627,057	-	-	-	(627,057)
Food service	562,803	163,904	363,607	-	(35,292)
Interest	161,367	-	-	-	(161,367)
Non-program transactions	-	-	-	-	-
Total support services	6,838,095	163,904	363,607	-	(6,310,584)
TOTAL SCHOOL DISTRICT	\$15,041,827	\$ 243,506	\$ 1,229,936	\$ -	(13,568,385)
<u>GENERAL REVENUES</u>					
Taxes:					
Property taxes, levied for general purposes					4,114,898
Property taxes, levied for debt service					139,430
Federal and state aid not restricted to programs:					
General					9,826,266
Other					52,377
Net gain on disposal capital of assets					86,103
Investment income					49,539
Miscellaneous					47,655
CHANGE IN NET POSITION					747,883
NET POSITION - BEGINNING OF YEAR					17,707,864
Adjustment due to correction of error					146,998
NET POSITION - BEGINNING OF YEAR, AS ADJUSTED					17,854,862
NET POSITION - END OF YEAR					\$ 18,602,745

See accompanying notes.

**CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2020

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 6,526,657	\$ 1,325,871	\$ 272,476	\$ 8,125,004
Receivables:				
Taxes	1,278,094	-	-	1,278,094
Accounts	237	-	3,533	3,770
Due from other governments	539,636	-	-	539,636
TOTAL ASSETS	8,344,624	1,325,871	276,009	9,946,504
<u>LIABILITIES</u>				
Accounts payable	78,659	-	-	78,659
Withholding and related fringes	2,993,997	-	-	2,993,997
Accrued payroll	188,325	-	-	188,325
Deferred revenue	-	-	24,335	24,335
TOTAL LIABILITIES	3,260,981	-	24,335	3,285,316
<u>FUND BALANCES</u>				
Restricted	-	1,325,871	251,674	1,577,545
Unassigned	5,083,643	-	-	5,083,643
TOTAL FUND BALANCES	5,083,643	1,325,871	251,674	6,661,188
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,344,624	\$ 1,325,871	\$ 276,009	\$ 9,946,504

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,661,188

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

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

Capital assets	23,206,452	
Accumulated depreciation	<u>(9,692,708)</u>	13,513,744

The District's proportionate share of the Wisconsin Retirement System net pension asset is reported on the statement of net position, but is not reported in the governmental funds. 1,501,714

The District's net OPEB liability is not currently available and thus not reported in the governmental funds. (259,551)

The District's net LRLIF liability is not currently available and thus not reported in the governmental funds. (399,125)

Deferred inflows and outflows of resources are applicable to future periods, and therefore, are not reported in the governmental funds.

WRS pension outflows	5,865,973	
LRLIF outflows	168,747	
OPEB outflows	252,656	
WRS pension inflows	(7,118,704)	
LRLIF inflows	<u>(75,221)</u>	(906,549)

Long-term debt and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Long-term liabilities at year end consist of:

General obligation bonds	1,090,000	
Capital lease obligation	<u>402,078</u>	(1,492,078)

Accrued interest payable on debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (16,598)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 18,602,745

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>REVENUES</u>				
Local	\$ 4,203,104	\$ 13,318	\$ 501,276	\$ 4,717,698
Interdistrict	1,404,926	-	-	1,404,926
Intermediate	29,988	-	-	29,988
State	8,636,137	-	10,559	8,646,696
Federal	503,597	-	353,048	856,645
Other	427,653	-	-	427,653
TOTAL REVENUES	<u>15,205,405</u>	<u>13,318</u>	<u>864,883</u>	<u>16,083,606</u>
<u>EXPENDITURES</u>				
Instruction:				
Current	7,670,512	-	178,609	7,849,121
Support Service:				
Current	6,421,513	-	571,636	6,993,149
Debt service	-	-	764,200	764,200
TOTAL EXPENDITURES	<u>14,092,025</u>	<u>-</u>	<u>1,514,445</u>	<u>15,606,470</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,113,380</u>	<u>13,318</u>	<u>(649,562)</u>	<u>477,136</u>
NET CHANGE IN FUND BALANCES	<u>1,113,380</u>	<u>13,318</u>	<u>(649,562)</u>	<u>477,136</u>
FUND BALANCES - BEGINNING OF YEAR	3,970,263	1,312,553	754,238	6,037,054
Prior period adjustment	-	-	146,998	146,998
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>3,970,263</u>	<u>1,312,553</u>	<u>901,236</u>	<u>6,184,052</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,083,643</u>	<u>\$ 1,325,871</u>	<u>\$ 251,674</u>	<u>\$ 6,661,188</u>

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 477,136

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:

Depreciation expense	(587,506)	
Capital outlays	85,654	
	85,654	(501,852)

In the statement of activities, gains on the sale of capital assets are shown, whereas in the governmental funds only the proceeds on the sale (if any) are shown.

Gains on disposal of capital assets		86,103
Proceeds from sale of capital assets		(380,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bonds	735,000	
Capital lease obligation	259,586	
	259,586	994,586

The change in the net pension liability / asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share of the differences between the expected and actual experience of the pension plan.

(68,615)

Other post-employment benefits are reported in the governmental funds when amounts are paid. However, the statement of activities reports the amount earned during the year. Post employment benefits paid are greater than the amounts earned.

175,377

LRLIF benefits are reported in the governmental funds when amounts are paid. However, the statement of activities reports the amount earned during the year. Post employment benefits paid are greater than the amounts earned.

(27,855)

Accrued interest reported in the governmental funds are reported as expenditures when paid. However, in the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.

(6,997)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 747,883**

See accompanying notes.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	Agency Fund	Private Purpose Trust
<u>ASSETS</u>		
Cash and investments	\$ 53,990	\$ 12,100
TOTAL ASSETS	53,990	12,100
 <u>NET POSITION</u>	\$ -	\$ 12,100

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2020

	Agency Fund	Private Purpose Trust
<u>ADDITIONS</u>		
Contributions	\$ -	\$ 14,000
Receipts	95,997	-
TOTAL ADDITIONS	95,997	14,000
<u>DEDUCTIONS</u>		
Disbursement to student organizations	92,570	-
Scholarships	-	11,775
TOTAL DEDUCTIONS	92,570	11,775
CHANGE IN NET POSITION	3,427	2,225
NET POSITION AT BEGINNING OF YEAR	-	9,875
Adjustment due to change in accounting principle	50,563	-
NET POSITION - BEGINNING OF YEAR, AS ADJUSTED	50,563	9,875
NET POSITION AT END OF YEAR	\$ 53,990	\$ 12,100

See accompanying notes.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies

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

Reporting Entity

The Clinton Community School District is organized as a common school district. The District is governed by a seven-member elected Board of Education. The district is comprised of all, or parts of, seven taxing districts. The District is fiscally independent with taxing and borrowing powers, services provided by the District are primary education and special education.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the District for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency between the District and the governmental entity; control by the District over selection of the entity’s governing authority or designation of management; the ability of the District to significantly influence operations of the entity; and whether the District is responsible for the accountability for fiscal matters.

Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District’s reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

Basis of Presentation

District-wide Financial Statements

The statement of net position and statement of activities present financial information about the District’s governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. The fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, the latter are excluded from the district-wide financial statements. Since the resources in the fiduciary funds cannot be used for District operations they are not included in the district-wide financial statements. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental 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. It is also used to account for activities associated with providing educational programs for students with disabilities.

Capital Improvements Fund – Used to account for the District’s future capital improvements.

Nonmajor Governmental Funds

Debt Service Fund – The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The District uses the following Special Revenue Funds:

Food Service Fund – Used to account for the District’s food service program.

Community Service Fund – Used to account for the District’s community service program.

Special Revenue Trust Fund – Used to account for gifts provided to the District.

Fiduciary Funds

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s agency fund is the Student Activity Fund.

Private Purpose Trust Fund – Used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Non-exchange 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.

Governmental fund financial 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 assets 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, Cash Equivalents, and Investments

Cash and investments include amounts in non-interest and interest bearing demand and time deposits and local government pooled investment funds. They are stated at cost, which approximates fair value. Cash deposits and highly liquid investments with a maturity of three months or less from date of acquisition are considered to be cash equivalents. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

Wisconsin State Statute 66.0603 restricts investment of District funds. Permitted investments for the District include any of the following.

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to do business in Wisconsin.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, local cultural arts district, or the Wisconsin Aerospace Authority.
- Any security which matures seven years or less of the acquisition date and having the highest or second highest rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, with certain conditions.
- Securities of an open-end management companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents, and Investments (continued)

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of the Districts assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from/to other funds on the balance sheet as appropriate.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
Special Education	General	\$ 1,348,658	Operating subsidy

Receivables

Property taxes are recognized as revenues in the fiscal year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or “equalized” taxable property values. The District is paid, by the collecting municipalities, its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Walworth County and Rock County purchase the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since management has determined that such an allowance would not be material to the basic financial statements.

Prepaid Items

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

Capital Assets

Capital assets, which include land, buildings, and furniture and equipment are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Land improvements, building, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Life</u>
Land Improvements	15 – 20 Years
Buildings and Improvements	20 – 50 years
Equipment and Furniture	5 – 15 years

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Inflows / Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District reports deferred outflows of resources related to the WRS net pension liability (asset), the supplemental pension liability, and the OPEB liability which are explained in more detail in Notes G, H and I, respectively.

Pensions

For purposes of measuring the Net Pension Liability (Asset), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and addition to/deductions from WRS' fiduciary net position have been determined on same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note E for more detailed information.

Other Obligations (OPEB)

Health Insurance

For purposes of measuring the Net OPEB Liability, the Deferred Outflows of resources and the Deferred Inflows of Resources Related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan including additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payables in accordance with the benefit terms.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Other Obligations (OPEB) (continued)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from the LRLIF's fiduciary net position have been determined on the same basis they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Debt

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

In the governmental fund financial statements, bond premiums, discounts, and bond issuance costs, are recognized during the year of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Payments of principal, interest and issuance costs are reported as debt service expenditures.

Net Position

District-wide Financial Statements – The District classifies net position in the district-wide financial statements as follows:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The District applies restricted resources first when expense is incurred for purposes for which both a restricted and unrestricted net position is available.

Fund Balances

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported in one of the following fund balance categories:

Nonspendable fund balance – amounts that cannot be spent because they are not in a spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note A – Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the Board of Education, the District’s highest level of decision-making authority. Commitments may only be established, modified or rescinded through resolutions approved by the Board of Education.

Assigned fund balance – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s policy, only the Board of Education is authorized to assign funds. The intent of the assigned funds may change with appropriate approvals as decided by the Director of Business Services.

Unassigned fund balance – the residual fund balance classification not otherwise classified

Use of Estimates

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

Note B – Cash and Investments

The District’s cash and investments at June 30, 2020 consisted of the following:

	Carrying Amount	Bank Balance	Uncollateralized Uninsured Deposits	Associated Risks
General checking	\$ 4,263,740	\$ 4,752,396	\$ 4,102,396	Custodial
Mutual funds	2,601,583	2,601,583	-	Credit and Interest rate
Investments	1,325,771	1,325,771	-	Custodial and Interest rate
Total cash and investments	<u>\$ 8,191,094</u>	<u>\$ 8,679,750</u>	<u>\$ 4,102,396</u>	

The District’s cash and investments are reported in the financial statements as follows:

Per Statement of Net Position	
Cash and investments	\$ 5,523,421
Restricted cash and investments	2,601,583
Per Statement of Fiduciary Net Position	
Agency Fund	53,990
Private Purpose Trust	12,100
Total cash and investments	<u>8,191,094</u>

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note B – Cash and Investments (continued)

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund (SDGF) which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

Custodial Risk: Is the risk that, in the event of a financial institution failure, the District’s deposits and value of investments may not be returned to the District. The District’s carrying value for demand deposits, money market, MaxSafe and exchange traded funds was \$8,191,094 at June 30, 2020 and the bank’s carrying value was \$8,679,750, of which \$1,975,771 was fully insured and \$4,102,396 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

Interest Rate Risk: Is the risk of fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of a type of investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District’s investment policy minimized credit risk by limiting investments to the safest type of securities.

Note C – Fair Value Measurements

The District categorizes its fair values within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District has the following recurring fair value measurements as of June 30, 2020:

	Fair Value	Quoted Prices in Active Markets for identical Assets (Level 1)
Mutual funds	\$ 2,601,583	\$ 2,601,583

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note D – Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 437,275	\$ -	\$ -	\$ 437,275
Total capital assets not being depreciated	<u>437,275</u>	<u>-</u>	<u>-</u>	<u>437,275</u>
Capital assets being depreciated:				
Buildings and improvements	19,589,746	25,840	-	19,615,586
Equipment and furniture	4,363,750	59,814	(1,269,973)	3,153,591
Total capital assets being depreciated	<u>23,953,496</u>	<u>85,654</u>	<u>(1,269,973)</u>	<u>22,769,177</u>
Less: accumulated depreciation	<u>(10,081,278)</u>	<u>(587,506)</u>	<u>976,076</u>	<u>(9,692,708)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>13,872,218</u>	<u>\$ (501,852)</u>	<u>\$ (293,897)</u>	<u>13,076,469</u>
Governmental activities capital assets, net	<u>\$ 14,309,493</u>			<u>\$ 13,513,744</u>

Depreciation expense was allocated to the following governmental functions in the statement of activities:

Regular instruction	\$ 10,265
Vocational instruction	3,682
Physical education	135
Special education	528
Other	906
Pupil services	2,280
Instructional staff services	92
General administrative services	800
Building administrative services	5,498
Business administrative services	415,256
Central services	11,719
Other support services	136,345
Total depreciation of governmental activities	<u>\$ 587,506</u>

Note E – Employee Retirement Plans

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note E – Employee Retirement Plans (continued)

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

The Core and Variable annuity adjustments granted during recent years are as follows:

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

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note E – Employee Retirement Plans (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, 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 \$466,998 in contributions from the employer.

Contribution rates as of June 30, 2020 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2020, the District reported a liability (asset) of (\$1,501,714) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (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 liability (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 0.04657263%, which was a decrease of 0.00164254% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$556,832.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 2,850,596	\$ 1,426,532
Net differences between projected and actual earnings on pension plan investments	-	3,070,038
Changes in assumptions	117,023	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	21,817
Employer contributions subsequent to the measurement date	298,036	-
	<u>\$ 3,265,655</u>	<u>\$ 4,518,387</u>

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note E – Employee Retirement Plans (continued)

\$298,036 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended 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:

Year Ended June 30,	Deferred Outflow of Resources	Deferred Inflow of Resources
2020	\$ 2,090,636	\$ 2,552,353
2021	2,060,492	2,405,407
2022	1,646,108	1,598,001
2023	365,993	1,158,235
2024	-	-

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. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. 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.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note E – Employee Retirement Plans (continued)

Long-term expected Return on Plan Assets (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Asset Allocation Targets and Expected Returns
 As of December 31, 2019**

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49%	8.0%	5.1%
Fixed Income	24.5%	4.9%	2.1%
Inflation Sensitive Assets	15.5%	4.0%	1.2%
Real Estate	9%	6.3%	3.5%
Private Equity/Debt	8%	10.6%	7.6%
Multi-Asset	4%	6.9%	4.0%
Total Core Fund	110%	7.5%	4.6%
Variable Fund Asset Class			
US Equities	70%	7.5%	4.6%
International Equities	30%	8.2%	5.3%
Total Variable Fund	100%	7.8%	4.9%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
 Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

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

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate █ (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate █ (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 3,867,182	\$ (1,501,714)	\$ (5,515,581)

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note E – Employee Retirement Plans (continued)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

Note F – Other Post-Employment Benefits – Health Insurance

Plan Description. The District operates a single-employer retiree benefit plan that provides post-employment health insurance benefits to eligible employees and their spouses. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payments of future benefits. The general fund is used for funding all pension/retirement benefits. The employer makes all contributions.

Benefits Provided. The District shall make premium contributions toward continued coverage under the group medical plan based on sick leave balances upon retirement and years of service.

Contributions. There is no requirement for any employee or employer contributions for funding the Plan. The employer makes all contributions, and these are made on the pay-as-you-go basis. There are no assets accumulated in a trust.

Changes in Total OPEB Liability. The following table shows the components of the District’s total OPEB cost for the year, the amount actually paid from the plan, and changes in the District’s total OPEB liability.

	Governmental Activities
Service cost	\$ 5,923
Interest	13,043
Differences between expected and actual experience	-
Changes of assumptions or other input	1,090
Benefit payments	(210,690)
Change in total OPEB obligation	(190,634)
Beginning total OPEB liability	450,185
Ending total OPEB liability	\$ 259,551

Actuarial Assumptions. Actuarial assumptions used to determine the total OPEB liability in the June 30, 2019 valuation were based on the results of an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note F – Other Post-Employment Benefits – Health Insurance (continued)

Key assumptions, applied to all periods included in the measurement date, are as follows:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Reporting date	June 30, 2020
Actuarial cost method	Entry Age Normal - Level % of Salary
Medical care trend	0.00% for the first year, then 7.00% decreasing by 0.50% per year down to 6.50%, then by 0.10% down to 5.00%, and level thereafter
Actuarial assumptions:	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14
Mortality assumptions:	Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%)
Municipal Bond Rate Source	Bond Buyer 20-Bond Index
Assumed rate of inflation	2.50%

Discount Rate. A discount rate of 3.50% was applied in the measurement of the total OPEB liability, implicit in this rate was an assumed rate of inflation of 2.50%. The discount rate is based on the Municipal Bond rate of 3.50%.

Sensitivity of the District's total OPEB liability to changes in the discount rate. The following presents the District's total OPEB liability calculated using the discount rate of 3.50%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate 2.50%	Current Discount Rate 3.50%	1% Increase to Discount Rate 4.50%
Total OPEB liability	\$ 263,980	\$ 259,551	\$ 255,230

Sensitivity of the District's total OPEB liability to changes in healthcare cost trend rates. The following presents the District's total OPEB liability calculated using the healthcare cost trend rates of 7.0%, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	Healthcare Cost		
	1% Decrease (6.0% decreasing to 4.0%)	Trend Rates (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Total OPEB liability	\$ 255,259	\$ 259,551	\$ 264,620

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note F – Other Post-Employment Benefits – Health Insurance (continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the District recognized OPEB expense of \$25,434. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,213	\$ -
Changes of assumptions or other input	25,632	-
Employer contribution subsequent to measurement date	200,811	-
	\$ 252,656	\$ -

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 6,468	\$ -
2021	6,468	-
2022	6,468	-
2023	6,468	-
2024	6,468	-
Thereafter	19,505	-

Note G – Other Post-Employment Life Insurance Benefits

Plan description. The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible members.

OPEB Plan Fiduciary Net Position. EFT issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://eft.wi.gov/publications/caft.htm>

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

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

Contributions. The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note G – Other Post-Employment Life Insurance Benefits (continued)

Contribution rates as of June 30, 2020 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

Life Insurance Member Contribution Rates* For the year ended December 31, 2019		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit.		

During the reporting period, the LRLIF recognized \$1,694 in contributions from the employer.

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

At June 30, 2020, the District reported a liability (asset) of \$224,118 for its proportionate share of the Net OPEB Liability (Asset). The Net OPEB Liability (Asset) was measured as of December 31, 2019, and the Total OPEB Liability used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation as of January 1, 2019 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 OPEB Liability (Asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.08685600%, which was a decrease of 0.008053% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$29,549.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note G – Other Post-Employment Life Insurance Benefits (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,880
Net differences between projected and investment earnings on plan investments	7,529	-
Changes in actuarial assumptions	147,239	43,901
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,979	13,440
Employer contributions subsequent to the measurement date	-	-
	\$ 168,747	\$ 75,221

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

Year Ended June 30,	Deferred Outflow of Resources	Deferred Inflow of Resources
2020	\$ 30,038	\$ 14,723
2021	30,038	14,723
2022	29,227	14,723
2023	28,390	14,723
2024	25,580	13,369
2025	25,265	2,962
2026	209	-

Actuarial assumptions. The Total OPEB Liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% – 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note G – Other Post-Employment Life Insurance Benefits (continued)

Long-term expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers’ general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**Local OPEB Life Insurance
 Asset Allocation Targets and Expected Returns
 As of December 31, 2019**

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

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

Single Discount Rate. A single discount rate of 2.87% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note G – Other Post-Employment Life Insurance Benefits (continued)

Sensitivity of the District’s proportionate share of the Net OPEB Liability (Asset) to changes in the discount rate.
The following presents the District’s proportionate share of the Net OPEB Liability (Asset) calculated using the discount rate of 2.87 percent, as well as what the District’s proportionate share of the Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87 percent) or 1-percentage-point higher (3.87 percent) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District’s proportionate share of the net OPEB liability (asset)	\$ 551,125	\$ 399,125	\$ 283,483

Note H – Long-Term Debt

Long-term obligations of the District are as follows:

	Balances Beginning	Additions	Reductions	Balances Ending	Amounts Due Within One Year
<u>Type</u>					
General Obligation Debt	\$ 1,825,000	\$ -	\$ 735,000	\$ 1,090,000	\$ 135,000
Net pension liability	1,715,344	-	1,715,344	-	-
Net other postemployment benefits - health ins.	450,185	-	190,634	259,551	-
Net other postemployment benefits - life ins.	227,684	171,441	-	399,125	-
Capital leases	661,664	-	259,586	402,078	193,916
Total long-term obligations	\$ 4,879,877	\$ 171,441	\$ 2,900,564	\$ 2,150,754	\$ 328,916

Total interest paid on long-term obligations during the year aggregated \$29,200.

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 issues:

Description	Issue Dates	Interest Rates	Dates of Maturity	Balance 06/30/20
2011 G.O. Refunding Bond	12/02/11	2.00-3.00%	03/01/20	\$ -
2013 G.O. Refunding Bond	10/15/13	0.00%	04/01/28	830,000
2015 G.O. Refunding Bond	04/01/15	1.15-3.10%	03/01/22	260,000
Total General Obligation Debt				\$ 1,090,000

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note H – Long-Term Debt (continued)

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

Year Ended June 30	G.O Debt Principal	G.O Debt Interest	Capital Lease Principal	Capital Lease Interest	Total
2021	135,000	7,810	193,916	18,041	142,810
2022	145,000	4,186	134,124	9,586	149,186
2023	10,000	-	74,038	17,164	10,000
2024	145,000	-	-	-	145,000
2025	150,000	-	-	-	150,000
2026-2030	505,000	-	-	-	505,000
Totals	<u>\$ 1,090,000</u>	<u>\$ 11,996</u>	<u>\$ 402,078</u>	<u>\$ 44,791</u>	<u>\$ 1,548,865</u>

The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$560,720,182. 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 \$560,720,182)	\$ 56,072,018
Deduct long-term debt applicable to debt margin	<u>(1,090,000)</u>
<i>Margin of indebtedness</i>	<u>\$ 54,982,018</u>

Note I – Capital Leases

The District has entered into several lease arrangements for financing the acquisition of buses, equipment, and technology. The lease agreements qualify as a capital lease for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception day of the lease. The gross amount of assets recorded under capital leases is \$798,364 and \$464,026 of related accumulated depreciation. Depreciation expense of \$192,683 is related to these assets.

Note J – Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues a school district may derive from general school aids and property taxes. The annual revenue increase from these sources is limited by the higher of the rate of inflation or the CPI-adjusted dollar amount on the prior year per pupil amount 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 board of education or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note K – Fund Balances

Components of fund balance other than unassigned fund balances consist of the following at year end:

	Restricted
Capital improvements	\$ 1,325,871
Special revenue	139,421
Debt service	10,860
Food service	72,692
Community service	28,701
Agency fund	53,990
	\$ 1,631,535

Note L – 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; worker’s compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage from the prior year. Settled claims have not exceeded the commercial coverage during the year ended June 30, 2020.

Note M – Litigation and Contingencies

From time to time the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District’s various insurance carriers, since most claims brought against the District are covered by insurance policies.

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

Note N – Long-Term Capital Improvement Trust Fund

The District has a Long-Term Capital Improvement Fund in the amount of \$1,312,553 at June 30, 2020. A school board with an approved long-term capital improvement plan (minimum of 10 years) may establish a “trust” that is funded with a transfer from the general fund. The contribution from fund 10 to fund 46 (Long-Term Capital Improvement Trust Fund) is recorded as the expenditure for shared cost and equalization aid purposes. Future expenditures from Fund 46 are not part of shared costs. A school board is prohibited from removing money deposited into fund 46 for a period of five years after the fund is created. After the initial five year wait period is over, funds may only be used for the purposes identified in the approved long-term capital improvement plan. Fund 46 assets may not be transferred to any other school district fund.

Note O – Subsequent Events

Subsequent events have been evaluated through December 28, 2020, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. There were no significant subsequent events required to be disclosed for the year ended June 30, 2020.

CLINTON COMMUNITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020

Note P – Effect of New Accounting Standards on Financial Statements

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

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest-cost Incurred Before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

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

Note R – Restatement of Fund Balance

Adjustment due to change in accounting principle

Prior period adjustments were made to increase the fund balance of Special Revenue Fund and Agency Fund due to implementation of GASB No. 84.

The net effect of this change in fund balance is as follows:

	Special Revenue Fund	Agency Fund
Fund balance, beginning of year	\$ -	\$ -
Adjustment to correct fund balance	146,998	50,563
Fund balance, beginning of year as adjusted	146,998	50,563

Note S – Restatement of Net Position

Adjustment due to change in accounting principle

Prior period adjustments were made to increase the net position of Governmental Activities and Fiduciary due to implementation of GASB 84.

The net effect of this change in fund balance is as follows:

	Governmental Activities	Fiduciary
Net position, beginning of year	\$ 17,707,864	\$ 9,875
Adjustment to correct net position	146,998	50,563
Net position, beginning of year as adjusted	17,854,862	60,438

REQUIRED SUPPLEMENTARY INFORMATION

**CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>REVENUES</u>				
Local	\$ 4,209,225	\$ 4,209,225	\$ 4,203,104	\$ (6,121)
Interdistrict	1,400,000	1,400,000	1,403,381	3,381
Intermediate	20,500	20,500	29,988	9,488
State	8,195,966	8,195,966	8,216,653	20,687
Federal	182,628	182,628	229,329	46,701
Other	58,000	58,000	427,653	369,653
TOTAL REVENUES	<u>14,066,319</u>	<u>14,066,319</u>	<u>14,510,108</u>	<u>443,789</u>
<u>EXPENDITURES</u>				
Instruction:				
Current	6,788,859	6,788,859	6,161,825	627,034
Capital outlay	31,500	31,500	-	31,500
Support Services:				
Current	5,687,290	5,687,290	5,886,245	(198,955)
Capital outlay	7,600	7,600	-	7,600
Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>12,515,249</u>	<u>12,515,249</u>	<u>12,048,070</u>	<u>467,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,551,070</u>	<u>1,551,070</u>	<u>2,462,038</u>	<u>910,968</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers out	<u>(1,337,758)</u>	<u>(1,337,758)</u>	<u>(1,348,658)</u>	<u>(10,900)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 213,312</u>	<u>\$ 213,312</u>	1,113,380	<u>\$ 900,068</u>
FUND BALANCE - BEGINNING OF YEAR			<u>3,970,263</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,083,643</u>	

See accompanying notes to required supplementary information.

**CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>REVENUES</u>				
Interdistrict	\$ 405,860	\$ 405,860	\$ 1,545	\$ (404,315)
State	35,000	35,000	419,484	384,484
Federal	323,737	323,737	274,268	(49,469)
TOTAL REVENUES	<u>764,597</u>	<u>764,597</u>	<u>695,297</u>	<u>(69,300)</u>
<u>EXPENDITURES</u>				
Instruction	1,288,359	1,288,359	1,508,687	(220,328)
Support service	813,996	813,996	535,268	278,728
TOTAL EXPENDITURES	<u>2,102,355</u>	<u>2,102,355</u>	<u>2,043,955</u>	<u>58,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,337,758)</u>	<u>(1,337,758)</u>	<u>(1,348,658)</u>	<u>(10,900)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	<u>1,337,758</u>	<u>1,337,758</u>	<u>1,348,658</u>	<u>10,900</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

See accompanying notes to required supplementary information.

CLINTON COMMUNITY SCHOOL DISTRICT

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

Year Ended June 30, 2020

Wisconsin Retirement System

Last 10 Fiscal Years*

WRS Year End	District's proportion of the net pension (asset) liability	District's proportionate share of the net pension (asset) liability	District's covered payroll	Net pension (asset) liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension (asset) liability
2019	0.04657263%	\$ (1,501,714)	\$ 7,139,077	(21.04%)	102.96%
2018	0.04821517%	\$ 1,715,344	\$ 7,178,145	23.90%	96.45%
2017	0.04878914%	\$ (1,448,607)	\$ 7,212,981	(20.08%)	102.93%
2016	0.04870493%	\$ 401,444	\$ 7,150,901	5.61%	99.12%
2015	0.04823500%	\$ 783,805	\$ 6,866,362	11.42%	98.20%
2014	0.04814600%	\$ (1,182,609)	\$ 6,762,302	(17.49%)	102.74%

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30, 2020

Wisconsin Retirement System

Last 10 Fiscal Years*

WRS Year End	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2019	\$ 466,998	\$ 466,998	\$ -	\$ 7,139,077	6.54%
2018	\$ 480,938	\$ 480,938	\$ -	\$ 7,178,145	6.70%
2017	\$ 490,485	\$ 490,485	\$ -	\$ 7,212,981	6.80%
2016	\$ 472,118	\$ 472,118	\$ -	\$ 7,150,901	6.60%
2015	\$ 466,913	\$ 466,913	\$ -	\$ 6,866,362	6.80%
2014	\$ 473,363	\$ 473,363	\$ -	\$ 6,762,302	7.00%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*GASB requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See accompanying notes to required supplementary information.

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2020
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>			
Service cost	\$ 5,923	\$ 2,899	\$ 2,899
Interest	13,043	17,859	27,628
Differences between expected and actual experience	-	32,767	-
Changes of assumptions or other input	1,090	30,815	-
Benefit payments	(210,690)	(285,916)	(333,384)
Net change in total OPEB liability	<u>(190,634)</u>	<u>(201,576)</u>	<u>(302,857)</u>
Total OPEB liability - beginning	<u>450,185</u>	<u>651,761</u>	<u>954,618</u>
Total OPEB liability - ending	<u><u>\$ 259,551</u></u>	<u><u>\$ 450,185</u></u>	<u><u>\$ 651,761</u></u>
Covered Payroll	\$ 6,882,288	\$ 6,882,288	\$ 181,800
Total OPEB liability as a percentage of covered payroll	3.77%	6.54%	358.50%

*GASB Pronouncement 75 requires the presentation of the last 10 fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See accompanying notes to required supplementary information.

CLINTON COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
LOCAL RETIREE LIFE INSURANCE FUND**

Last 10 Fiscal Years*

LRLIF Year End	Proportion of The Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2019	0.09373100%	\$ 399,125	\$ 3,917,000	10.19%	37.58%
2018	0.08823800%	\$ 227,684	\$ 4,173,000	5.46%	48.69%
2017	0.07972100%	\$ 270,234	\$ 3,777,230	7.15%	44.81%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented for this schedule.

See accompanying notes to required supplementary information.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

Note A - Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of for each fund as described in Note A to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles accepted in the United States of America ("GAAP"). An explanation of the differences between Revenues, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 14,510,108	\$ 695,297
Reclassification of special education	695,297	(695,297)
Total Revenues (GAAP)	15,205,405	-
Expenditures		
Actual amounts (budgetary basis)	12,048,070	2,043,955
Reclassification of special education	2,043,955	(2,043,955)
Total Expenditures	14,092,025	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,462,038	(1,348,658)
Reclassification of special education	(1,348,658)	1,348,658
Excess of Revenues Over (Under) Expenditures (GAAP)	1,113,380	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(1,348,658)	1,348,658
Reclassification of special education	1,348,658	(1,348,658)
Total Other Financing Sources (Uses) (GAAP)	-	-
Net Change in Fund Balance		
Actual amounts (budgetary basis and GAAP)	1,113,380	-
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis and GAAP)	3,970,263	-
Fund Balance - End of Year		
Actual amounts (budgetary basis and GAAP)	\$ 5,083,643	\$ -

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020

Note B - Budgetary Accounting and Control

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the object level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution. There was no budget prepared for the trust and agency fund.

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

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

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note A to the basic financial statements; however, the District adopts a budget for the special education fund which is reported within the general fund in accordance with generally accepted accounting principles. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized on the following page.

Note C - Wisconsin Retirement System

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

Changes of 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 liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

**CLINTON COMMUNITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Special Revenue Funds				
	Special Revenue	Debt Service	Food Service	Community Service	Total
<u>ASSETS</u>					
Cash and investments	\$ 139,421	\$ 10,860	\$ 93,494	\$ 28,701	\$ 272,476
Accounts receivable	-	-	3,533	-	3,533
TOTAL ASSETS	139,421	\$ 10,860	97,027	28,701	276,009
<u>LIABILITIES</u>					
Deferred revenue	-	-	24,335	-	24,335
TOTAL LIABILITIES	-	-	24,335	-	24,335
<u>FUND BALANCES</u>					
Restricted	139,421	10,860	72,692	28,701	251,674
TOTAL FUND BALANCES	139,421	10,860	72,692	28,701	251,674
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,421	\$ 10,860	\$ 97,027	\$ 28,701	\$ 276,009

CLINTON COMMUNITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

Special Revenue Funds

	Special Revenue	Debt Service	Food Service	Community Service	Total
<u>REVENUES</u>					
Local	\$ 171,032	\$ 146,339	\$ 163,905	\$ 20,000	\$ 501,276
Interdistrict	-	-	-	-	-
State	-	-	10,559	-	10,559
Federal	-	-	353,048	-	353,048
Other	-	-	-	-	-
TOTAL REVENUES	171,032	146,339	527,512	20,000	1,011,222
<u>EXPENDITURES</u>					
Instruction:					
Current	178,609	-	-	-	178,609
Support Service:					
Current	-	-	567,033	4,603	571,636
Debt service		764,200			764,200
TOTAL EXPENDITURES	178,609	764,200	567,033	4,603	1,514,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,577)	(617,861)	(39,521)	15,397	(649,562)
NET CHANGE IN FUND BALANCES	(7,577)	(617,861)	(39,521)	15,397	(649,562)
FUND BALANCES - BEGINNING OF YEAR	-	628,721	112,213	13,304	754,238
Prior period adjustment	146,998	-	-	-	146,998
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	146,998	628,721	112,213	13,304	901,236
FUND BALANCES - END OF YEAR	\$ 139,421	\$ 10,860	\$ 72,692	\$ 28,701	\$ 251,674

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
AGENCY FUND
YEAR ENDED JUNE 30, 2020

	<u>Balance Beginning</u>	<u>Prior Period Adjustment</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance Ending</u>
<u>ASSETS</u>					
Cash and investments	\$ 50,563	\$ -	\$ 95,997	\$ (92,570)	\$ 53,990
<u>LIABILITIES</u>					
Due to student organizations	50,563	(50,563)	-	-	-
<u>FUND BALANCES</u>					
Restricted	-	50,563	95,997	(92,570)	53,990
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 50,563</u>	<u>\$ -</u>	<u>\$ 95,997</u>	<u>\$ (92,570)</u>	<u>\$ 53,990</u>

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Administering Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-through Entity Number	Accrued Receivable 7/1/2019	Receipts Grantor Reimbursement	Expen- ditures	Accrued Receivable 6/30/2020	Subrecipient Awards
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>							
Passed through Wisconsin Department of Public Instruction							
<i>Child Nutrition Cluster</i>							
Donated Commodities - Noncash	10.555	N/A	\$ -	\$ 39,618	\$ 39,618	\$ -	\$ -
Food Service Aid - Breakfast	10.553	2020-531134-SB-546	4,317	26,707	22,390	-	-
Food Service Aid - Lunch	10.555	2020-531134-NSL-547	28,781	175,522	146,741	-	-
Summer Food Service Program	10.559	2020-531134-SFSP-586	-	144,300	144,300	-	-
<i>Total Child Nutrition Cluster</i>			<u>33,098</u>	<u>386,147</u>	<u>353,049</u>	<u>-</u>	<u>-</u>
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			<u>33,098</u>	<u>386,147</u>	<u>353,049</u>	<u>-</u>	<u>-</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>							
Passed through Wisconsin Department of Public Instruction							
<i>Title I-A Cluster</i>							
Title I-A Basic Grant	84.010A	2020-531134-TIA-141	113,087	182,685	110,197	40,599	-
<i>Special Education Cluster</i>							
IDEA Flow Through	84.027A	2020-531134-IDEA-FT-341	164,025	164,025	214,623	214,623	-
IDEA Preschool	84.173	2020-531134-IDEA-PS-347	1,695	4,085	7,000	4,610	-
<i>Total Special Education Cluster</i>			<u>165,720</u>	<u>168,110</u>	<u>221,623</u>	<u>219,233</u>	<u>-</u>
Title II-A	84.367A	2020-531134-TIIA-365	-	-	19,823	19,823	-
Title IV-A	84.424A	2020-531134-TIVA-381	19,208	32,536	13,328	-	-
Passed through CESA 1:							
Title III	84.365A	2020-531134-TIIIA-391	1,000	1,000	-	-	-
TOTAL UNITED STATES DEPARTMENT OF EDUCATION			<u>299,015</u>	<u>384,331</u>	<u>364,971</u>	<u>279,655</u>	<u>-</u>
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
Passed through Wisconsin Department of Health Services							
Medical Assistance Program	93.778		3,018	141,643	138,625	-	-
TOTAL FEDERAL AWARDS			<u>\$ 335,131</u>	<u>\$ 912,121</u>	<u>\$ 856,645</u>	<u>\$ 279,655</u>	<u>\$ -</u>

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

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020

Administering Agency/ Pass-Through Agency/ Award Description	State I.D. Number	Pass- through Entity Number	Accrued Receivable 7/1/2019	State Receipts	State Disbursements/ Expenditures	Accrued Receivable 6/30/2020	Subrecipient Awards
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>							
Special Education and							
School Age Parents**	255.101	531134-100	\$ -	\$ 414,484	\$ 414,484	\$ -	\$ -
Pupil Transportation	255.107	531134-102	-	29,510	29,510	-	-
Common School Fund Library Aid	255.103	531134-104	-	47,643	47,643	-	-
State School Lunch Aid	255.102	531134-107	-	5,923	5,923	-	-
State Day Milk Program	255.115	531134-109	-	3,075	3,075	-	-
State School Breakfast Aid	255.344	531134-108	-	1,561	1,561	-	-
Per Pupil Aid	255.945	531134-113	-	737,548	737,548	-	-
Equalization Aid	255.201	531134-116	121,654	8,236,549	8,233,540	118,645	-
Bi-Lingual/Bi-Cultural	255.106	531134-162	-	17,510	17,510	-	-
Educator Effective Eval Sys	255.940	531134-154	-	8,400	8,400	-	-
Career and Technical Education Incentive	255.950	531134-152	-	25,946	25,946	-	-
Assessments of Reading Readiness	255.956	531134-166	-	1,383	1,383	-	-
Special Education Transition Incentive Grants	255.960	531134-168	-	5,000	5,000	-	-
Supplemental Per Pupil Aid	255.245	531134-181	-	3,337	3,337	-	-
Early College Credit Program	255.445	531134-178	-	1,686	1,686	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			121,654	9,539,555	9,536,546	118,645	-
<u>WISCONSIN DEPARTMENT OF REVENUE</u>							
Exempt Computer Aid	835.109	N/A	1,879	1,879	1,879	1,879	-
Personal Property Aid	835.103	N/A	-	80,803	80,803	-	-
TOTAL WISCONSIN DEPARTMENT OF REVENUE			1,879	82,682	82,682	1,879	-
<u>WISCONSIN DEPARTMENT OF JUSTICE</u>							
School Safety Initiative			113,809	-	16,648	130,457	-
<u>PASS-THROUGH FROM BLACKHAWK TECHNICAL COLLEGE</u>							
BTC Forward Grant			9,000	-	-	9,000	-
TOTAL EXPENDITURES OF STATE AWARDS			\$ 246,342	\$ 9,622,237	\$ 9,635,876	\$ 259,981	\$ -

** Total DPI aidable expenditures for the year ended June 30, 2020 were \$148,709

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2020

Note A - Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2020. The information in these Schedules is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the schedules present only a selected portion of the operations of the district, it is not intended to and does not present the net financial position, changes in fund balance or cash flows of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on these Schedules.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and as applicable, the cost principles contained in the *Wisconsin State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D – Noncash awards

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Public Instruction and transactions relating to this program are included in the District’s basic financial statements. Commodities received during the year are included in the expenditures presented in the Schedule. There are no balances outstanding as of June 30, 2020.



CPAs and Business Advisors

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**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
Clinton Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton Community School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2020-001, 2020-002 and 2020-003 that we consider to be significant deficiencies.

To the Board of Education
Clinton Community 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 effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clinton Community School District's Response to Findings

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

Purpose of this Report

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

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
December 28, 2020



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www.sitzbergercpas.com

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

To the Board of Education
Clinton Community School District

Report on Compliance for Each Major Program

We have audited Clinton Community School District (the "District") compliance with the types of compliance requirements described in OMB Compliance Supplement and the *Wisconsin State Single Audit Guidelines* that could have a direct and material effect on each of the District's major programs for the year ended June 30, 2020. The District's major federal and state programs are identified in the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Program

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

To the Board of Education
Clinton Community 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 each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and *Wisconsin State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompany schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003 and 2020-004 that we consider to be significant deficiencies.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the *Uniform Guidance* and the *Wisconsin State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
December 28, 2020

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

2019-001

Criteria: Management is responsible for the design and implementation of internal controls such that management and other district employees, in the normal course of performing their assigned functions, are able to prevent, or detect and correct misstatements on a timely basis.

Condition: During disbursement testing, we noted 6 of 25 general disbursements were lacking approvals; 3 of 13 community service disbursements were lacking supporting documentation and 4 of 13 disbursements were lacking approvals; and 1 of 25 student activity disbursements were lacking approvals.

Effect: The above behavior exposes the District to fraud, loss of public trust and employee conflict, inconsistent with the mission of the District.

Cause: During the year, the District implemented procedures to go paperless. During this transition, proper controls were not in place and therefore, supporting documentation was misplaced or not retained and approval of disbursements did not occur.

Recommendation: We recommend that the District emphasize existing controls and procedures to retain supporting documentation for all disbursements, as well as, documenting approvals for disbursements.

Management's Response/

Corrective Action

Plan The District understands the importance of review and approval of support documentation and will enforce controls and procedures which require approval of support documentation prior to payment.

Current status: This is no longer a finding.

CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES
 YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1 Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2 Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 3 Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|--|------------|
| 4 Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 5 Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6 Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 7 Identification of major federal programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	<i>Child Nutrition Cluster</i>
10.555	School Breakfast
	National School Lunch
	Donated Commodities

- | | |
|--|-----------|
| 8 Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9 Auditee qualified as low-risk auditee? | No |

State Awards

- | | |
|--|------------|
| 10 Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 11 Type of auditor's report issued on compliance for major programs: | Unmodified |
| 12 Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? | No |

CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES (continued)
 YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results (continued)

State Awards (continued)

13 Dollar threshold used to distinguish between Type A and Type B programs \$ 250,000

14 Identification of major state programs:

<u>State ID</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid
255.945	Per Pupil Adjustment
255.101	Special Education and School Age Parents

Section II - Financial Statement Findings

2020-001 Lack of Segregation of Duties

Condition: Proper segregation of duties prescribes that the authorization, recording, and custody functions be separated. Many of the accounting functions are performed by a few individuals, including:

- Recording vendor invoices in the accounting system
- Preparing checks
- Mailing checks
- Bank reconciliations
- Processing payroll

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have absent or inadequate segregation of duties within a significant account or process.

Cause: The auditee is not in a financial position to be able to hire enough staff to ensure adequate segregation of duties. In addition, the size of the organization does not warrant hiring additional staff members.

Effect: The lack of segregation of duties could result in the possibility of undetected errors or irregularities in financial reporting.

Recommendation: It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one or two individuals is not desirable from a control standpoint. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the District's financial affairs.

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Findings (continued)

2020-002 Financial Statement Preparation

Condition: Sitzberger & Company, S.C. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and the auditors' responsibility to determine the fairness of presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: Management and the accounting staff of the District have adequate knowledge and experience in governmental accounting and interim financial reporting requirements; however, staff does not have the necessary resources and training to prepare GAAP basis financial statements.

Effect: The District's financial statements will be prepared by its auditor.

Recommendation: We recommend management continue using external sources to prepare the financial statements if cost of resources and training are not feasible for the District. The District should rely on its direct knowledge of the entity's operations and continue to appoint a member of senior management to make management decisions including oversight as well as approving and taking responsibility of the financial statements prior to their release.

2020-003 Audit Adjustments

Condition: One or more audit adjustments were required to prevent the District's financial statements from being misstated.

Criteria: Statements on Auditing Standards AU §314.41 states it is the responsibility of management to implement proper internal controls to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting.

Cause: Inadequate controls in place to ensure proper recording of all the District's financial transactions in accordance with accounting principles generally accepted in the United States of America.

Effect: Without the audit adjustments, the financial statements of the District would have been misstated.

Recommendation: The District should review the nature of these entries to determine if they can be made before the audit process begins.

Section III – State and Federal Award Findings and Questioned Costs

See 2020-001, 2020-002, 2020-003 and 2020-004

CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES (continued)
 YEAR ENDED JUNE 30, 2020

Section III – State and Federal Award Findings and Questioned Costs (continued)

2020-004

Eligibility

- Condition:* Number of students claimed for reduced price meals was higher on monthly food service claims than the number of students approved for reduced price meals on the annual verification form.
- Criteria:* As a general rule, under the Child Nutrition Cluster, a child may be eligible for free or reduced price meals by submission of an annual application or by direct certification. Verification of free and reduced price applications are required to be submitted by November 15th of each school year. Monthly reports are required to be submitted to the Wisconsin Department of Public Instruction for each month meals are served.
- Cause:* Inadequate controls are in place to appropriately identify and report eligible free and reduced participants.
- Effect:* Monthly claims could be overstated.
- Recommendation:* The District should review the number of free and reduced eligible students prior to submitting monthly claims.

Section IV - Other Issues

- | | |
|--|---------------------------|
| 1 Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2 Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>Wisconsin State Single Audit Guidelines</i> : | |
| Department of Public Instruction | No |
| 3 Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4 Name and signature of partner/manager | <u><i>Pattie Reda</i></u> |
| 5 Date of report | December 28, 2020 |

CORRECTIVE ACTION PLAN

Finding 2020-001 – Segregation of Duties

Management's Response/

Corrective Action

Plan: Contact: Business Manager. Completion Date: Ongoing. Response: The District has compensated for the lack of segregation of duties by assigning a staff member independent of the cash receipt and cash disbursement functions to reconcile bank accounts and involving three individuals in the cash receipt process. The board of education also approved vouchers monthly for payment.

Finding 2020-002 – Preparation of Financial Statements

Management's Response/

Corrective Action

Plan: Contact: Business Manager. Completion Date: Ongoing. Response: The District will continue to provide oversight from a senior member of management and will make all management decisions, including the review and approval, of all financial statements prior to their release.

Finding 2020-003 – Audit Adjustments

Management's Response/

Corrective Action

Plan: Contact: Business Manager. Completion Date: Ongoing. Response: The District will continue to monitor expenditures to approve appropriate amendments for expenditures over budget and will implement safeguards to ensure that there are no further expenditures over budgeted amounts.