

FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Fond du Lac School District
Fond du Lac, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fond du Lac School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2020, the District has implemented GASB Statement No. 84, *Fiduciary Activities* for classifying the District's fiduciary activities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 11 and 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.

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 general fund and nonmajor special revenue funds combining schedules, listed as other supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of charter school authorizer operating costs are required by the Wisconsin Department of Public Instruction. 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 19, 2021

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

This discussion and analysis of Fond du Lac School District's financial information provides an overview of financial activities for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The District's overall financial position improved in 2019-20. This is due to revenues being greater than anticipated in the budget and expenditures being less.
- The Board of Education levied the maximum amount allowed in the revenue cap calculation. Because of a 2.5% increase in our general aid and the increase in the Low Revenue Ceiling to \$9,700 per student, we realized an increase in our tax levy for 2019-20. The total levy increase was 9.1% over the 2018-19 fiscal year. The total levy also reflected the first year the District levied for the Debt Service approved referendum from April 2019.
- Included in the tax levy for 2019-20 is the Private School Voucher Program. This was the fourth year private school voucher students were funded by the resident school district rather than the State of Wisconsin as in the previous years. The Fond du Lac School District levied \$1,603,707 in 2019-20 for private school students. The District also levied \$490,212 for private school students receiving the Special Needs Scholarship Program. This was the second year the District levied for this program.
- The District's State General Aid increased by \$1.1M or 2.5% over the previous year.
- The District received \$5,394,340 in supplemental per-pupil aid, which is based on \$742 per Student Full Time Equivalent. In 2018-19 the aid was based on \$654 per Student Full Time Equivalent.
- The District engaged in a Line of Credit Arrangement in 2019-20 because of the increase in our fund equity for June 30, 2019. The District did not access the Line of Credit Arrangement in the 2019-20 fiscal year.
- The District has been focusing to keep employee benefits increases to a minimum. The employee health insurance increased by 10% and the dental insurance increased by 0%. Other insurance benefits realized a 0% increase.

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements, including notes to the financial statements and supplementary information.

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

District-wide Financial Statements

- The *Statement of Net Position* compares assets and deferred outflows of resources to liabilities and deferred inflows of resources to give an overall view of the financial health of the District. This statement includes fixed assets and long-term liabilities.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General Revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net position for the District from the previous year.

Fund Financial Statements

- The *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund financial statements generally report operations in more detail than the district-wide statements.

The *Notes to Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required Supplementary Information further explains and supports the financial statements.

Other Supplementary Information provides information specific to nonmajor governmental funds and the schedules of expenditures of federal and state awards.

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

The major features of the District's financial statements, including the scope of the activities reported and type of information contained, are shown in the following table. (Table #1)

Table #1

-----Fund Financial Statements-----				
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here. <u>The Employee Benefit Trust Fund is reported here.</u>
Required financial statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position and statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting.	Modified accrual accounting.	Accrual accounting.	Accrual accounting.
	Economic resources focus.	Current financial resources focus.	Economic resources focus.	Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

FOND DU LAC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Table #2

Condensed Statement of Net Position			
	<u>2020</u>	<u>As Restated,</u> <u>2019</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$ 84,054,714	\$ 30,558,255	175.1%
Noncurrent Assets	9,491,253	--	100%
Capital Assets	59,801,517	44,627,850	34%
Total Assets	153,347,484	75,186,105	104%
Deferred Outflows of Resources	26,079,250	47,832,779	(45.5%)
<u>Liabilities</u>			
Current Liabilities	21,415,998	10,271,092	108.5%
Noncurrent Liabilities	69,233,708	24,720,917	180.1%
Total Liabilities	90,649,706	34,992,009	159.1%
Deferred Inflows of Resources	29,528,032	31,930,726	(7.5%)
<u>Net Position</u>			
Net Investment in Capital Assets	3,406,517	42,242,850	(91.9%)
Restricted	46,936,790	4,610,183	918.1%
Unrestricted	8,905,689	9,243,116	(3.7%)
Total Net Position	\$ 59,248,996	\$ 56,096,149	5.6%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$3.2M to \$59.2M. The District reported total assets of \$153.3M, of which \$59.8M or 39% are capital assets. The District reported total liabilities of \$90.6M, of which \$69.2M or 76% are long-term liabilities.

FOND DU LAC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>Actual 2019-20</u>	<u>%</u>	<u>Actual 2018-19</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$ 3,961,883	4%	\$ 4,315,792	4%	(8.2%)
Operating Grants & Cont.	14,632,236	14%	16,326,041	16%	(10.4%)
General:					
Property Taxes	34,043,778	32%	31,201,304	31%	9.1%
General Equalization Aids	46,163,929	44%	45,053,625	44%	2.5%
Other	6,500,980	6%	5,361,692	5%	21.2%
Total Revenues	<u>105,302,806</u>	<u>100%</u>	<u>102,258,454</u>	<u>100%</u>	3.0%
Expenses:					
Instruction	54,174,412	53%	55,708,565	55%	(2.8%)
Support Services	32,444,741	32%	31,339,722	31%	3.5%
Non-Program Expenses	7,060,715	7%	6,225,824	6%	13.4%
Food Service	2,320,315	2%	2,938,830	3%	(21.0%)
Community Service	1,567,675	2%	1,687,494	2%	(7.1%)
Interest and Fiscal Charges	2,284,622	2%	271,948	1%	740.1%
Unallocated Depreciation	2,297,479	2%	2,298,407	2%	0%
Total Expenses	<u>102,149,959</u>	<u>100%</u>	<u>100,470,790</u>	<u>100%</u>	1.7%
Change in Net Position	<u>\$ 3,152,847</u>		<u>\$ 1,787,664</u>		76.4%

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Revenue: (Table #3)

- For FY19-20, the District received \$105.3M in revenue. This is an increase of 3% or \$3M over the previous year. The District relies primarily on property taxes and general state aid to fund governmental activities. State imposed Revenue Limits restrict the amount by which these two revenue sources, in combination, may be increased. The Revenue Limit is intended to help hold down increases in property taxes throughout the state. During the fiscal year, the District levied property taxes to the maximum amount allowed under the formula.
- General state aid is a combination of equalization aid and computer aid. Equalization aid is paid according to a formula taking into consideration district spending and property values as compared to spending and property values for the state as a whole. Computer aid originated several years ago when technology was removed from the tax rolls for property value purposes. In 2019-20 the District continued to receive a state per-pupil aid of \$742 per member. Other state aid sources are in the form of grants or categorical aids, which are directly related to specific program offerings.
- In 2019-20, general equalization aids were at 44% and property taxes were at 32%. The portion received from the Tax Levy increased because of the increase in the allowable Revenue Limit related to the increase in the Low Revenue Ceiling per member. The allowable Revenue Limit also recognized an increase to account for the Private School Voucher Aid Deduction. In 2018-19, nearly 75% of revenue came from local school property taxes and state aid. Because of the increase in General Equalization Aid, the District still maintained about 75% of revenues in both years from property taxes and state aid.

Expenses: (Table #3)

- For FY19-20, the District expenditures totaled \$102.1M. This is an increase of 1.7% or \$1.7M from the previous year. Salary and fringe benefit costs for all employee groups remains at approximately 80% of the total budget. All other expenditure budgets have been maintained at 2005-06 levels, with the exception of utilities, property and casualty insurance, some curricular initiatives, and various fixed contracts such as pupil transportation. Non-Program expenses have increased again, of which \$834,891 is from the Private School Voucher Program and the Special Needs Scholarship Program transfer. Beginning with the 2015-16 school year, Public School Districts provide the funding for students residing in their district who attend a private school through the Private School Voucher Program. The resident district is allowed to levy additional funds to recover the district's cost for this program. The other portion of the increase is from the growth in Fond du Lac resident students attending other public school districts through the open enrollment program.

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u> 2020	<u>Net Cost of Services</u> 2020
Instruction	\$ 54,174,412	\$ 41,892,869
Support Services	32,444,741	29,316,558
Non-Program Expenses	7,060,715	6,831,032
Food Service	2,320,315	(411,893)
Community Service	1,567,675	1,345,173
Interest and Fiscal Charges	2,284,622	2,284,622
Unallocated Depreciation	2,297,479	2,297,479
Totals	\$ 102,149,959	\$ 83,555,840

Net Cost of Governmental Activities: (Table #4)

- The net cost of governmental activities was \$83.6M. This includes expenditures financed by general revenues primarily made up of property taxes, general equalization aids and interest income.
- The total cost of all governmental activities was \$102.1M. This includes expenditures financed by general revenue plus revenue collected through direct fees, \$4.0M, and operating grants & contributions associated with specific programs, \$14.6M.

Fund Balances:

The District's total Fund balance for FY19-20 increased by \$45M to \$66.1M.

- The General Fund balance increased by \$2.7M to \$19.4M. This represents approximately 26% of expenditures. The District utilizes this fund balance to minimize short-term borrowing. In addition, a fund balance of this size is a positive sign of financial viability, it enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- The Debt Service Fund balance increased by \$1.5M to \$1.6M. The debt service fund balance is restricted to making future payments on long-term debt. The decrease in fund balance is due to the fact that the District chose to use existing fund balance to pay down debt.
- The Capital Projects Fund balance increased by \$40.4M to \$40.4M. The capital projects fund balance is restricted for the acquisition or construction of capital facilities.

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

- The Other Governmental Funds balances increased by \$388,031 to \$4.7M. They consisted of the Special Revenue Trust, Food Service and Community Service Funds. The fund balances in these funds support the operations of the funds.

Budgetary Highlights:

Differences between the final budget and actual results for the general fund were:

- Revenues came in over budget by \$628,528. At year end, the District recorded a journal entry that moved revenues and expenditures from student activity accounting to Fund 21 trust fund related to implementation of GASB 84, which represented about \$1,000,000 of budget activity. Another significant revenue increase was the change in supplemental per-pupil aid from \$654 to \$742 per pupil FTE resulting in a revenue increase of \$593,326 from 2018-19. Both Open Enrollment tuition and interest from investments decreased for 2019-20.
- The revenue areas that came in under budget were the SAGE aid, which was prorated by the state, and various grants that were not spent and will be carried over to 2020-21.
- Expenditures came in under budget by \$2,120,707. Some areas were under budget while other areas were over budget. Due to the impact of COVID-19, the District's expenditures were significantly impacted in the areas of purchased services such as pupil transportation and utilities expenses. The District also realized reduced expenditures in the areas of substitute teacher expenses during the state imposed closure of in-person instruction.
- Salary and benefits expenditures were under budget by \$604,497. This was due to staff changes that took place during the year, and savings derived from staff not enrolling in family insurance benefits or participating in the matching 403(b) benefit as well as the reduction in substitute teacher expenses.
- Purchased services were under budget \$917,849. This was primarily due to the reduction in pupil transportation services during the closure of in-person instruction. Utilities expenditures were reduced by \$179,329.
- Non-Capital Objects were under budget by \$406,669 due to reduced expenditures during the closure of in-person instruction.
- Other areas that were under budget are due to grant funds being carried over into 2020-21.

Capital Asset and Debt Administration:

Capital Assets

- At the end of the fiscal year, the District had invested \$113,656,755 in a broad range of capital assets, including buildings, sites, and equipment. Total accumulated depreciation on these assets is \$53,855,238.
- The District has been engaged in a Facilities Improvement project related to the successful capital referendum in April 2019. The District began improvements at four school buildings during the 2019-20 fiscal year. The District continues to budget for ongoing capital improvements and maintenance through the general operations fund.

FOND DU LAC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Long-term Obligations

- At year-end the District had \$56,395,000 in general obligation debt. GASB requires the inclusion of post employment benefits as a long term liability. In 2007-08 the District set up a Post Employment Benefit Trust, Fund 73, to begin accruing a balance to pay future benefits. The benefit of a Fund 73 is that once established, the costs of post-employment benefits are accounted for in this Fund, and these costs can be used in the calculation of several State Categorical Aids and Grants.
- The District is engaged in a capital lease for Macbook computers across the District. The year-end balance of all capital leases is \$167,300.
- The District has been assigned a credit rating of 'Aa3' from Moody's Investor Services.

Factors Bearing on the District's Future:

Currently known circumstances that will impact the District's financial status in the future are:

- Revenue limits continue to restrain budgets in Fond du Lac School District and statewide. For 2019-20 the revenue limit allowed a \$175 per student increase. New for 2019-20 was an allowable increase to the District's Low Revenue Threshold of \$122.70 per member to a base revenue per member of \$9,700. The District was able to receive supplemental State Aid based on \$742 per student for 2019-20. The District experienced a decline in the 3 year rolling average for Revenue Limit student membership. This resulted in a Declining Enrollment Exemption in the amount of \$640,200. This was largely due to a year over year fluctuation in student enrollment. Should the District experience multiple years of declining enrollment, the overall allowable Revenue Limit will decrease. The major increase in the revenue cap came from the Non-Recurring Exemption from the New Choice Pupils Private School Voucher Program, the new Special Needs Scholarship Program, and the increase to the Low Revenue Threshold per member.
- In 2019-20 the School Board provided a 2.44% pay increase to all of its employee groups. We were in our sixth year of the new compensation plan for our teachers.
- A decrease in the 2019-20 enrollment provided minimal change in the District's staffing levels. Our three year rolling average decreased by 66 FTE providing for a Declining Enrollment exemption to the Revenue Limit to offset this decrease in the Revenue Limit Calculation.
- In 2020-21 the State Per-Pupil Aid will again maintain at \$742 per student which will provide some stability in the District's Revenue.
- In 2020-21 the District's Low Revenue Limit threshold will increase from \$9,700 up to \$10,000 allowing the District's overall Revenue authority to increase by \$300 per FTE.

Contacting the District's Financial Management:

This financial report is prepared to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Michael Gerlach, Director of Business Services, Fond du Lac School District, 72 W. Ninth Street, Fond du Lac, WI 54935. (920) 906-6540.

BASIC FINANCIAL STATEMENTS

FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN

STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:

Cash and investments	\$ 71,724,141
Taxes receivable	8,591,273
Accounts receivable	186,144
Interest receivable	229,740
Due from other governments	3,054,128
Inventories	214,362
Prepaid expenses	54,926
Total current assets	<u>84,054,714</u>

Noncurrent assets:

Net pension assets - WRS	<u>9,491,253</u>
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Capital assets:

Land, buildings, vehicles and equipment	113,656,755
Less accumulated depreciation	<u>53,855,238</u>
Net capital assets	<u>59,801,517</u>

Total assets	<u>153,347,484</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to WRS pension	20,768,604
Deferred outflows related to supplemental pension	1,344,580
Deferred outflows related to OPEB	2,451,735
Deferred outflows related to LRLIF	<u>1,514,331</u>
Total deferred outflows of resources	<u>26,079,250</u>

LIABILITIES

Current liabilities:

Current portion of capital lease	59,206
Current portion of bonds and notes payable	3,000,000
Accounts payable	14,133,810
Accrued salaries and wages	176,700
Accrued payroll taxes and withholdings	3,537,893
Accrued interest payable	374,861
Food service deposits	133,528
Total current liabilities	<u>21,415,998</u>

Long-term liabilities:

Net pension liability - supplemental pension	2,201,588
Unused vested employee benefits	356,508
Net OPEB liability	6,601,364
Net OPEB liability - LRLIF	3,790,109
Capital lease	104,541
Bond premium	2,784,598
Bonds and notes payable	53,395,000
Total long-term liabilities	<u>69,233,708</u>
Total liabilities	<u>90,649,706</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension	28,449,177
Deferred inflows related to supplemental pension	460,066
Deferred inflows related to LRLIF	618,789
Total deferred inflows of resources	<u>29,528,032</u>

NET POSITION

Net investment in capital assets	3,406,517
Restricted	46,936,790
Unrestricted	8,905,689
Total net position	<u>\$ 59,248,996</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction:				
Undifferentiated curriculum	\$ 17,869,682	\$ 1,437,754	\$ 749,216	\$ (15,682,712)
Regular curriculum	15,692,723	1,437,754	1,564,221	(12,690,748)
Special curriculum	12,845,025	1,822	5,349,719	(7,493,484)
Other instruction	7,766,982	--	1,741,057	(6,025,925)
Total instruction	54,174,412	2,877,330	9,404,213	(41,892,869)
Support services:				
Pupil services	3,756,777	--	461,831	(3,294,946)
Instructional staff services	5,402,550	--	1,322,073	(4,080,477)
General administration	489,176	--	580,127	90,951
School building administration	4,527,823	--	--	(4,527,823)
Business administration	15,035,921	152,864	77,096	(14,805,961)
Other support services	3,232,494	--	534,192	(2,698,302)
Total support services	32,444,741	152,864	2,975,319	(29,316,558)
Nonprogram	7,060,715	--	229,683	(6,831,032)
Food service	2,320,315	711,562	2,020,646	411,893
Community service	1,567,675	220,127	2,375	(1,345,173)
Interest and fiscal charges	2,284,622	--	--	(2,284,622)
Unallocated depreciation	2,297,479	--	--	(2,297,479)
Totals	\$ 102,149,959	\$ 3,961,883	\$ 14,632,236	(83,555,840)
General revenues:				
General equalization aids				46,163,929
Per pupil aids				5,419,295
Property taxes levied for:				
General purposes				25,870,325
Debt service				6,618,865
Community service				1,554,588
Interest income				1,001,936
Miscellaneous				79,749
Total general revenues				86,708,687
Change in net position				3,152,847
Net position, beginning of year, as restated				56,096,149
Net position, end of year				\$ 59,248,996

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 11,559,461	\$ 1,618,967	\$ 53,568,165	\$ 4,977,548	\$ 71,724,141
Taxes receivable, net	8,591,273	--	--	--	8,591,273
Accounts receivable	123,478	--	--	62,666	186,144
Interest receivable	--	--	229,740	--	229,740
Due from other governments	2,841,284	--	--	212,844	3,054,128
Inventories	188,325	--	--	26,037	214,362
Prepaid expenses	54,926	--	--	--	54,926
Total assets	<u>\$ 23,358,747</u>	<u>\$ 1,618,967</u>	<u>\$ 53,797,905</u>	<u>\$ 5,279,095</u>	<u>\$ 84,054,714</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 331,072	\$ --	\$ 13,458,301	\$ 344,437	\$ 14,133,810
Accrued salaries and wages	149,556	--	--	27,144	176,700
Accrued payroll taxes and withholdings	3,498,875	--	--	39,018	3,537,893
Food service deposits	--	--	--	133,528	133,528
Total liabilities	<u>3,979,503</u>	<u>--</u>	<u>13,458,301</u>	<u>544,127</u>	<u>17,981,931</u>
Fund balances:					
Nonspendable	243,251	--	--	26,037	269,288
Spendable:					
Restricted	--	1,618,967	40,339,604	4,708,931	46,667,502
Unassigned	19,135,993	--	--	--	19,135,993
Total fund balances	<u>19,379,244</u>	<u>1,618,967</u>	<u>40,339,604</u>	<u>4,734,968</u>	<u>66,072,783</u>
Total liabilities and fund balances	<u>\$ 23,358,747</u>	<u>\$ 1,618,967</u>	<u>\$ 53,797,905</u>	<u>\$ 5,279,095</u>	<u>\$ 84,054,714</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2020

Total fund balances for governmental funds		\$ 66,072,783
Total net position reported for governmental activities in the statement of net position is different because:		
Noncurrent assets are not available to pay for current period expenditures, and therefore, are not reported in the funds.		
	9,491,253	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets consisted of:		
Buildings, net of \$41,003,750 accumulated depreciation	39,954,850	
Furniture and equipment, net of \$10,453,452 accumulated depreciation	2,040,868	
Land	1,162,554	
Site improvements, net of \$1,907,657 accumulated depreciation	142,515	
Construction in progress	16,320,462	
Vehicles, net of \$490,379 accumulated depreciation	<u>180,268</u>	
Total capital assets		59,801,517
Deferred outflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the		
		26,079,250
Deferred inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the		
		(29,528,032)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.		
		(374,861)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but, rather, is recognized as expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2020, are:		
Net pension liability - supplemental pension	(2,201,588)	
Unused vested employee benefits	(356,508)	
Capital lease, includes current portion	(163,747)	
Net OPEB liability	(6,601,364)	
Net OPEB liability - LRLIF	(3,790,109)	
Bond premium	(2,784,598)	
Bonds and notes payable, includes current portion	<u>(56,395,000)</u>	
Total long-term liabilities		<u>(72,292,914)</u>
Total net position of governmental activities		<u>\$ 59,248,996</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 27,161,735	\$ 6,637,277	\$ 789,269	\$ 3,773,538	\$ 38,361,819
Interdistrict sources	1,766,685	--	--	--	1,766,685
Intermediate sources	22,303	--	--	--	22,303
State sources	58,321,962	--	--	54,223	58,376,185
Federal sources	4,598,222	--	--	1,966,423	6,564,645
Other sources	195,939	--	--	15,230	211,169
Total revenues	92,066,846	6,637,277	789,269	5,809,414	105,302,806
Expenditures:					
Instruction:					
Undifferentiated curriculum	17,970,982	--	--	41,820	18,012,802
Regular curriculum	15,760,296	--	--	28,865	15,789,161
Special curriculum	12,926,346	--	--	--	12,926,346
Other instruction	6,991,709	--	--	900,936	7,892,645
Total instruction	53,649,333	--	--	971,621	54,620,954
Support services:					
Pupil services	3,554,388	--	--	216,947	3,771,335
Instructional staff services	5,379,874	--	--	64,944	5,444,818
General administration	490,756	--	--	--	490,756
School building administration	4,629,239	--	--	4,168	4,633,407
Business administration	11,111,352	--	20,421,233	77,000	31,609,585
Debt service	118,854	33,004,570	--	--	33,123,424
Other support services	3,537,920	--	28,432	27,402	3,593,754
Total support services	28,822,383	33,004,570	20,449,665	390,461	82,667,079
Nonprogram	7,060,715	--	--	--	7,060,715
Food service	--	--	--	2,331,785	2,331,785
Community service	--	--	--	1,728,528	1,728,528
Total expenditures	89,532,431	33,004,570	20,449,665	5,422,395	148,409,061
Excess of revenues over (under) expenditures	2,534,415	(26,367,293)	(19,660,396)	387,019	(43,106,255)
Other financing sources (uses):					
Operating transfers in	--	15,985	--	1,012	16,997
Bond premiums	--	3,064,623	--	--	3,064,623
Loan proceeds	--	24,835,000	60,000,000	--	84,835,000
Lease proceeds	210,330	--	--	--	210,330
Operating transfers (out)	(16,997)	--	--	--	(16,997)
Net other financing sources (uses)	193,333	27,915,608	60,000,000	1,012	88,109,953
Net change in fund balance	2,727,748	1,548,315	40,339,604	388,031	45,003,698
Fund balance, beginning of year, as restated	16,651,496	70,652	--	4,346,937	21,069,085
Fund balance, end of year	\$ 19,379,244	\$ 1,618,967	\$ 40,339,604	\$ 4,734,968	\$ 66,072,783

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Net change in fund balances-governmental funds	\$ 45,003,698
The change in net position reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capital outlays exceed depreciation in the current period.	15,173,667
Accrued interest expense on long-term debt is reported in the district-wide statement of activities but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	(348,030)
Other post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. Other post employment benefits paid are greater than the amounts earned.	797,500
Governmental funds report district WRS pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(487,241)
Governmental funds report district OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. This is the amount by which OPEB expense exceeds the amount contributed based on LRLIF calculations.	(272,091)
Governmental funds report district supplemental pension contributions as expenditures. However, in the statement of activities and changes in net position, the cost of pension benefits earned net of employee contributions is reported as pension expense.	249,787
Governmental funds report unused vested employee benefits on a pay-as-you-go basis. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the pay-as-you-go is less than the accrual basis in the current year.	(41,322)
Bond premiums are reported in the governmental funds as a revenue. In the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	(2,784,598)
Loan proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. This is the amount by which proceeds exceed repayments.	(54,138,523)
Changes in net position of governmental activities	<u>\$ 3,152,847</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Employee Benefit Trust Fund</u>
ASSETS		
Deposits held in trust	\$ --	\$ 5,388,073
Accounts receivable	--	944
Total assets	<u>--</u>	<u>5,389,017</u>
LIABILITIES		
Accounts payable	<u>--</u>	<u>--</u>
NET POSITION		
Restricted for OPEB	--	3,362,964
Restricted for supplemental pension	--	1,908,294
Total net position	<u>\$ --</u>	<u>\$ 5,271,258</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

For the Year Ended June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Employee Benefit Trust Fund</u>
ADDITIONS		
District contributions - OPEB	\$ --	\$ 1,468,261
District contributions - supplemental pension	--	543,270
Member contributions - OPEB	--	183,897
Investment income - OPEB	--	66,931
Investment income - supplemental pension	--	22,310
Total additions	<u>--</u>	<u>2,284,669</u>
DEDUCTIONS		
Employee benefit payments - OPEB	<u>--</u>	<u>1,869,482</u>
Change in net position	--	415,187
Net position, beginning of year, as restated	--	4,856,071
Net position, end of year	<u>\$ --</u>	<u>\$ 5,271,258</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

The financial statements of Fond du Lac School District (District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

A. Reporting Entity

Fond du Lac School District is a unified school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of six taxing districts. The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since it has decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and it is primarily accountable for fiscal matters. In addition, there are no component units, as defined in GASB Statement 61 that are included in the District's reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, as prescribed by the Wisconsin Department of Public Instruction for elementary and secondary school districts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District operates the following major governmental funds:

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

Debt Service Fund - the debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - capital projects funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by trust funds).

The District operates the following nonmajor governmental funds:

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses special revenue funds to account for its special revenue trust, food service and community service programs.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Fiduciary Funds - fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. This includes employee benefit trust funds. Employee benefit trust funds are set up to put aside monies for future post retirement benefits. These trust funds are irrevocable and can only be dissolved after all the trust assets have been used for their intended purpose. The trust funds are accounted for in essentially the same manner as proprietary funds.

C. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2020.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation between the district-wide statements and the governmental fund statements.

The statement of net position presents the financial condition of the government-type activities of the District at year-end. The statement of activities presents a comparison between the direct expenses and program revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reported funds by type. Each major governmental fund is presented in a single column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants, and student fees.

Expenditures

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the object level in the general fund and at the total expenditures level for all other funds. Reported budget amounts are as originally adopted or as amended by the Board of Education (Board) resolution.

F. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All funds share common (pooled) checking and investment accounts, unless regulations require separate investment accounts.

All investments are stated at fair value.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

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

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

H. Receivables

Receivables at June 30, 2020, consisted of taxes, accounts, interest, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventories and Prepaid Items

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as expenditure would result in more than one year's cost being recorded. Inventory and prepaid supplies are valued at the lower of cost or the first-in/first-out (FIFO) method. Inventory consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time the individual inventory items are consumed.

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation benefits are accrued as a liability if the employee's right to receive compensation is attributable to services already rendered, and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive payments and those employees for whom it is probable that they will become eligible to receive benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available resources. The balance of the liability is not recorded.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

K. Capital Assets and Depreciation

General capital assets are reported in the district-wide statement of net position, but not in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. Donated fixed assets are recorded at their fair value as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$5,000, except for computers, for which a \$500 cost threshold is used, and a useful life of less than one year, unless their exclusion as a group would make the financial statements materially misleading. The District does not possess any infrastructure. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset.

Depreciation is computed using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings	50 years
Site improvements	10-50 years
Furniture, equipment, and vehicles	5-7 years

L. Interfund Activity

Short-term interfund loans are classified as interfund receivables/payables in the fund financial statements. These amounts are eliminated in the statement of net position.

M. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the district-wide financial statements.

For governmental fund financial statements, accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

N. Governmental Fund Balance Reserves

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact - principal balance of endowments and permanent funds.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions of enabling legislation. The District had \$46,667,502 of restricted fund balance at June 30, 2020.

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board - the District's highest level of decision making authority. The District had no committed fund balance at June 30, 2020.

Assigned fund balance - this classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the Board or by an individual or subordinate high level body to which the Board has delegated authority. The Board authorizes the Director of Business Services to assign fund balance to the extent such assignment does not create a negative unassigned fund balance, as follows: 1) An amount sufficient to liquidate open encumbrances that are reasonably expected to result in the subsequent year, and 2) An amount estimated to be sufficient to cover the cost of unsettled labor agreements, if any. The District had no assigned fund balance at June 30, 2020.

Unassigned fund balance - this fund balance includes any remaining amounts that are not classified as nonspendable, restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

The District has set a goal of maintaining an assigned fund balance in the general fund that is adequate to meet cash flow needs during the fiscal year. The purpose of maintaining this fund balance is to reduce the need for short-term borrowing and the costs associated with it, serve as a safeguard against unexpected expenses of the District, and maintain a high credit rating for the District, which will help reduce future borrowing costs.

District-wide Financial Statements

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

Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

Restricted - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted - Net position that is neither classified as restricted nor as net investment in capital assets.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

O. Deferred Outflows / Inflows of Resources

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items in this category relating to its OPEB plan, LRLIF OPEB plan, supplemental pension, and WRS pension plan.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has items in this category relating to its share of the LRLIF OPEB plan, supplemental pension, and WRS pension plan.

P. Pensions

For purposes of measuring the net pension liability, 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 the District's supplemental pension plan and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported to the District. 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.

Q. Other Post Employment Benefits Plan

For purposes of measuring the net other post employment benefits (OPEB) liability and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/ deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported to the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Other Post Employment Benefits Plan - LRLIF

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 of resources and deferred inflows of resources related to other post employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF fiduciary net position that have been determined on the same basis as 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.

S. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

T. Implementation of GASB Standard

As of July 1, 2019, the District elected to early implement GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes new criteria for identifying fiduciary activities that are reported in the fiduciary funds. This Statement also revised the definition and terminology used for activities that were previously classified as agency funds. The District has reclassified agency and scholarship funds to the special revenue trust fund using the GASB Statement No. 84 definitions. Note 18 outlines this restatement.

Note 2. Cash and Investments:

Debt service and capital projects funds account for their transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, fiduciary funds use separate and distinct accounts. All other funds share common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statute 66.0603 (1m). The Board has adopted an investment policy pursuant to these statutes that allows the District to invest in the following:

Time deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by a local cultural arts district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by the Wisconsin Aerospace Authority

Securities which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and received the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency

Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the investment company act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The carrying amount of the District's cash and investments totaled \$77,112,214 on June 30, 2020, as summarized below:

Petty cash funds	\$ 2,900
Deposits with financial institutions	15,053,520
Investments:	
Money market	5,388,073
WISC Investment Series - Money Market account	54,772,773
Local Government Investment Pool	<u>1,894,948</u>
Total	<u>\$ 77,112,214</u>

Reconciliation to the basic financial statements:

Statement of net position	\$ 71,724,141
Fiduciary funds:	
Employee benefit trust fund	<u>5,388,073</u>
Total	<u>\$ 77,112,214</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of specific risks and the District's policy related to each risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian for demand deposits and an additional \$250,000 for time and savings deposits. In addition, the State of Wisconsin has a State Guarantee Fund that 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.

The Local Government Investment Pool (LGIP) does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2020 the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total of one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

As of June 30, 2020, the bank balance of the District's deposits was \$15,490,020. Of the bank balance, \$646,031 was covered by FDIC insurance, and \$14,843,989 was covered by pledged collateral.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Related</u>
WISC:					
US Treasury	<u>\$13,693,456</u>	<u>\$ --</u>	<u>\$ 13,693,456</u>	<u>\$ --</u>	<u>\$ --</u>

The District does not have a formal policy to address credit risk, but the risk is mitigated by the fact that the District is not invested in any individual securities and is invested in index funds, which allow for a more diversified portfolio. None of the District's investments are rated.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
WISC:					
US Treasury	<u>\$13,693,456</u>	<u>\$ 9,693,301</u>	<u>\$ 4,000,155</u>	<u>\$ --</u>	<u>\$ --</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Investment in Wisconsin Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$54,772,773 at year-end consisting of \$12,825,819 invested in savings accounts, \$12,201,798 invested in money market accounts, \$16,051,700 invested in certificates of deposit, and \$13,693,456 invested in U.S. Treasury securities.

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

Note 3. Changes in Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings	\$ 80,044,735	\$ 913,865	\$ --	\$ 80,958,600
Furniture and equipment	12,345,526	212,680	63,886	12,494,320
Land	1,162,554	--	--	1,162,554
Site improvements	2,050,172	--	--	2,050,172
Construction in progress	--	16,320,462	--	16,320,462
Vehicles	680,121	24,139	33,613	670,647
Totals	<u>96,283,108</u>	<u>17,471,146</u>	<u>97,499</u>	<u>113,656,755</u>
Accumulated depreciation:				
Buildings	39,171,095	1,832,655	--	41,003,750
Furniture and equipment	10,183,764	311,733	42,045	10,453,452
Site improvements	1,825,187	82,470	--	1,907,657
Vehicles	475,212	48,780	33,613	490,379
Totals	<u>51,655,258</u>	<u>2,275,638</u>	<u>75,658</u>	<u>53,855,238</u>
Capital assets, net	<u>\$ 44,627,850</u>	<u>\$ 15,195,508</u>	<u>\$ 21,841</u>	<u>\$ 59,801,517</u>

All depreciation expense was charged to unallocated depreciation.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Short-term Notes Payable:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>\$ 6,000,000</u>	<u>\$ --</u>	<u>\$ 6,000,000</u>	<u>\$ --</u>

The note was issued on November 28, 2018, and matured on November 27, 2019. The interest rate on the note was 4.09%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2020, for short-term notes totaled \$33,854.

Note 5. Line of Credit:

The \$8,000,000 line of credit was issued on November 1, 2019, and matured on October 31, 2020. The interest rate varied and was adjusted monthly based on the LIBOR rate plus 1.7%. The rate is not to exceed 4.4% through final maturity. The line of credit was not utilized during the year ended June 30, 2020.

Note 6. Long-term Obligations:

Long-term obligations of the District are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation debt	\$ 2,385,000	\$ 84,835,000	\$ 30,825,000	\$ 56,395,000	\$3,000,000
Bond premiums	--	3,064,623	280,025	2,784,598	--
Capital leases	35,224	210,330	81,807	163,747	59,206
Net OPEB liability	7,526,355	--	924,991	6,601,364	--
Net pension liability - supplemental pension	2,254,062	--	52,474	2,201,588	--
Net pension liability - WRS	10,630,928	--	10,630,928	--	--
Net OPEB liability - LRLIF	2,329,253	1,460,856	--	3,790,109	--
Vested employee benefits	315,186	356,508	315,186	356,508	--
Totals	<u>\$25,476,008</u>	<u>\$89,927,317</u>	<u>\$43,110,411</u>	<u>\$72,292,914</u>	<u>\$3,059,206</u>

Total interest paid for the year ended June 30, 2020, was \$1,144,147 on long-term debt.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations - Continued:

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:

<i>Description</i>	Issue Date	Interest Rate	Date of Maturity	Balances
General obligation bonds	11/1/11	2.0 - 3.4%	4/1/22	\$ 1,660,000
General obligation notes	10/7/19	2.4 - 4.0%	4/1/29	29,900,000
General obligation bonds	10/7/19	2.1 - 3.0%	4/1/34	<u>24,835,000</u>
Total				<u>\$ 56,395,000</u>

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest on June 30, 2020, are as follows:

Year ending <i>June 30,</i>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 3,000,000	\$ 1,776,415	\$ 4,776,415
2022	3,555,000	1,684,815	5,239,815
2023	3,135,000	1,547,775	4,682,775
2024	3,510,000	1,453,725	4,963,725
2025	3,755,000	1,368,725	5,123,725
2026-2030	19,890,000	4,749,450	24,639,450
2031-2034	<u>19,550,000</u>	<u>1,428,150</u>	<u>20,978,150</u>
Totals	<u>\$ 56,395,000</u>	<u>\$ 14,009,055</u>	<u>\$ 70,404,055</u>

The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,908,548,614. 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 is as follows:

Debt limit (10% of \$3,908,548,614)	\$ 390,854,861
Deduct long-term debt applicable to debt margin	<u>56,395,000</u>
Margin of indebtedness	<u>\$ 334,459,861</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Capital Lease:

The District has leased equipment of \$324,566 under capital leases as of June 30, 2020.

The future minimum lease payments as of June 30, 2020, are as follows:

Year ending <i>June 30,</i>		
2021	\$	59,206
2022		54,047
2023		54,047
Total		<u>167,300</u>
Less amount representing interest		<u>3,553</u>
Present value of net minimum lease payments	\$	<u><u>163,747</u></u>

Note 8. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2020:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Inventory	\$ 188,325	\$ --	\$ --	\$ 26,037	\$ 214,362
Prepaid expense	54,926	--	--	--	54,926
Restricted:					
Debt service	--	1,618,967	--	--	1,618,967
Capital projects	--	--	40,339,604	--	40,339,604
Special revenue trust	--	--	--	966,019	966,019
Food service	--	--	--	1,775,871	1,775,871
Community service	--	--	--	1,967,041	1,967,041
Unassigned	<u>19,135,993</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19,135,993</u>
Total fund balances	<u>\$ 19,379,244</u>	<u>\$ 1,618,967</u>	<u>\$ 40,339,604</u>	<u>\$ 4,734,968</u>	<u>\$ 66,072,783</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. Excess of Actual Expenditures Over Budget in Individual Funds:

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

General fund:

Co-curricular curriculum	\$	73,156
School building administration		246,264
Insurance and judgments		11,113
Other support services		507,628

Special education fund:

Insurance and judgments		553
Nonprogram		43,139

Note 10. General Information About the WRS Pension Plan:

Plan Description

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

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

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees 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.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the WRS Pension Plan - Continued:

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:

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

Contributions

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

During the reporting period, the WRS recognized \$3,033,581 in contributions from the employer.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the WRS Pension Plan - Continued:

Contribution rates as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives & elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At June 30, 2020, the District reported a liability (asset) of \$(9,491,253) 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 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 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 0.29435203%, which was a decrease of 0.00446375% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,616,496.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,016,567	\$ 9,016,086
Changes in assumptions	739,620	--
Net differences between projected and actual earnings on pension plan investments	--	19,403,495
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,217	29,596
Employer contributions subsequent to the measurement date	<u>1,969,200</u>	<u>--</u>
Totals	<u>\$ 20,768,604</u>	<u>\$ 28,449,177</u>

\$1,969,200 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 in the year ended June 30, 2020.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the WRS Pension Plan - Continued:

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

Year ending <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 13,244,914	\$ 16,090,404
2021	13,034,511	15,170,329
2022	10,403,949	10,076,058
2023	2,313,181	7,309,537
Thereafter	--	--

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2019
Actuarial cost method	Entry age Normal
Asset valuation method	Fair value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary increases:	
Inflation	3.0%
Seniority/merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

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

Long-term Expected Return on Plan Assets

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

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the WRS Pension Plan - Continued:

The target allocation and best estimates of geometric 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**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	49	8.0	5.1
Fixed income	24.5	4.9	2.1
Inflation sensitive assets	15.5	4.0	1.2
Real estate	9	6.3	3.5
Private equity/debt	8	10.6	7.6
Multi-asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
 <u>Variable Fund Asset Class</u>			
U.S. equities	70	7.5	4.6
International equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

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

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

Single Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the WRS Pension Plan - Continued:

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

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
District's proportionate share of the net pension liability (asset)	\$ 24,441,673	\$ (9,491,253)	\$(34,860,018)

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/about-etf/reports-and-studies/financial-reports-and-statements>.

Payable to WRS Pension Plan

The District reported a payable of \$1,253,649 for the outstanding amount of contributions in the Plan for the year ended June 30, 2020.

Note 11. General Information About the Supplemental Pension Plan:

Plan Description and Benefits Provided

The District provides a supplemental pension benefit to teachers that did not reach age 50 as of July 1, 2013, provided they are not less than age 40 with less than 5 years of service as of June 30, 2013, in the form of a TSA contribution upon their retirement. The supplemental pension plan is a single-employer defined benefit plan administered by the District. Eligible retirees shall receive a TSA contribution based upon years of service with the District. The benefits paid to eligible retirees are accounted for under GASB Statement 68. There is no financial report issued with the plan.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	--
Inactive employees entitled to but not yet receiving benefits	--
Active employees	237
Total employees	237

Contributions

The District is required to provide contributions on a pay-as-you-go basis. Active plan members are not required to contribute toward these benefits.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. General Information About the Supplemental Pension Plan - Continued:

Net Pension Liability

The District's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 that was rolled forward to June 30, 2019.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent, average, including inflation
Investment rate of return	3.5 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study conducted in 2015 using Wisconsin Retirement System experience from 2012-14. The long-term expected rate of return on pension plan investments was calculated by the actuary.

Discount Rate

The discount rate used to measure the total pension liability was 3.5%, which is a change in the assumption for the original actuarial study that was done as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

**Note 11. General Information About the Supplemental Pension Plan - Continued:
Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/18	\$ 3,916,376	\$ 1,662,314	\$ 2,254,062
Changes for the year:			
Service cost	157,253	--	157,253
Interest	149,813	--	149,813
Differences between expected and actual experience	--	--	--
Changes of assumptions	57,407	--	57,407
Contributions - employer	--	400,000	(400,000)
Net investment income	--	16,947	(16,947)
Net changes	<u>364,473</u>	<u>416,947</u>	<u>(52,474)</u>
Balances at 6/30/19	<u>\$ 4,280,849</u>	<u>\$ 2,079,261</u>	<u>\$ 2,201,588</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 3.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
District's net pension liability	<u>\$ 2,433,635</u>	<u>\$ 2,201,588</u>	<u>\$ 1,973,797</u>

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

For the year ended June 30, 2020, the District recognized pension expense of \$293,483.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. General Information About the Supplemental Pension Plan - Continued:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,484	\$ 376,768
Changes of assumptions or other input	531,708	83,298
Net difference between projected and actual earnings on pension plan investments	77,118	--
District contributions subsequent to the measurement date	543,270	--
Totals	\$ 1,344,580	\$ 460,066

\$543,270 reported as deferred outflows related to supplemental pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ending <i>June 30,</i>		
2020	\$	53,407
2021		47,526
2022		43,979
2023		36,702
2024		26,124
Thereafter		133,506

Note 12. General Information About the OPEB Plan:

Plan Description and Benefits Provided

The District's post-employment medical plan is a single-employer, defined benefit healthcare plan administered by the District. The plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. The authority to establish and amend benefit provisions is with the Board of Education. There is no financial report issued by the plan.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. General Information About the OPEB Plan - Continued:

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	91
Inactive employees entitled to but not yet receiving benefits	211
Active plan members	613
Total	915

Contributions

The contribution requirements of the District are established and may be amended by the Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2020, the District's average contribution rate was 3.63% of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation rolled forward to June 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 %
Salary increases	3.0 %
Investment rate of return	3.5 %, net of OPEB plan investment expenses
Healthcare cost trend rates	Medical: initial rate of 7.5%, decreasing by 0.5% per year down to 6.5%, then by 0.1% per year down to 5.0%, and level thereafter

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study conducted in 2015 using Wisconsin Retirement System experience from 2012-14. The long-term expected rate of return on pension plan investments was calculated by the actuary.

Investment Policy

Funds for the OPEB plan, "Employee Benefit Trust", adheres to Wisconsin Statute 881.01 "Uniform Prudent Investor Act" which requires reasonable care, skill, and caution in the investment and managing of trust assets. The Employee Benefit Trust is managed by BMO Financial Group.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. General Information About the OPEB Plan - Continued:

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5% which is a change in the assumption from the original actuarial study that was done as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2018	\$ 10,329,698	\$ 2,803,343	\$ 7,526,355
Changes for the year:			
Service cost	321,447	--	321,447
Interest	361,899	--	361,899
Differences between expected and actual experience	--	--	--
Change of assumptions	71,454	--	71,454
Contributions - employer	--	1,627,337	(1,627,337)
Net investment income	--	52,454	(52,454)
Benefit payments	(1,679,564)	(1,679,564)	--
Administrative expense	--	--	--
Other adjustment	--	--	--
Net changes	(924,764)	227	(924,991)
Balances at 6/30/2019	\$ 9,404,934	\$ 2,803,570	\$ 6,601,364

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. General Information About the OPEB Plan - Continued:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1%-point lower (2.5%) or 1%-point higher (4.5%) than the discount rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 6,890,745	\$ 6,601,364	\$ 6,317,980

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (6.5% decreasing To 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing To 5.0%)	1% Increase (8.5% decreasing To 6.0%)
Net OPEB liability	\$ 6,159,383	\$ 6,601,364	\$ 7,086,912

OPEB Expense and 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 \$670,761. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 785,489	\$ --
Changes and assumptions	105,243	--
Net difference between projected and actual earnings on OPEB plan investments	92,742	--
District contributions subsequent to the measurement date	1,468,261	--
Totals	\$ 2,451,735	\$ --

\$1,468,261 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. General Information About the OPEB Plan - Continued:

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

Year ending <i>June 30,</i>		
2020	\$	140,087
2021		140,086
2022		133,573
2023		120,788
2024		110,448
Thereafter		338,492

Note 13. General Information About the OPEB - LRLIF Plan:

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 employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.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 employees 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 employee 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 employee premiums until age 65 in order to be eligible for the benefit after age 65.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. General Information About the OPEB - LRLIF Plan - 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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees 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, 2019 are as listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2018		
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 \$16,090 in contributions from the employer.

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

At June 30, 2020, the District reported a liability (asset) of \$3,790,109 for its proportionate share of the net OPEB liability. 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 0.89007400%, which was a decrease of 0.01261900% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$403,528.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. General Information About the OPEB - LRLIF Plan - Continued:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ - -	\$ 169,792
Net differences between projected and actual earnings on OPEB plan investments	71,495	- -
Changes in assumptions	1,398,188	416,883
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,914	32,114
Employer contributions subsequent to the measurement date	8,734	- -
Totals	\$ 1,514,331	\$ 618,789

\$8,734 reported as deferred outflows related to OPEB resulting from the LRLIF District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2020. 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 ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 270,849	\$ 117,704
2021	270,849	117,704
2022	263,141	117,704
2023	255,201	117,704
2024	226,855	114,988
2025	218,702	32,509
2026	- -	476

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. General Information About the OPEB - LRLIF Plan - Continued:

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% - 5.65%
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.

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%

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. General Information About the OPEB - LRLIF Plan - Continued:

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 employees. 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 the 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 employees retiring prior to age 65.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability 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%, 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%) or 1-percentage-point higher (3.87%) 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)	\$ 5,233,505	\$ 3,790,109	\$ 2,691,965

Note 14. Fair Value Measurement:

The District's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active
- Level 3 - Investments reflect prices based upon unobservable sources

The categorization of investments with the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 14. Fair Value Measurement - Continued:

The fair values of the District's investments were classified as follows:

	Level 1	Level 2	Level 3	Totals
Money market funds	\$ 5,388,073	\$ --	\$ --	\$ 5,388,073
WISC Investment series	--	54,772,773	--	54,772,773
Local Government Investment Pool	--	1,894,948	--	1,894,948
Totals	\$ 5,388,073	\$ 56,667,721	\$ --	\$ 62,055,794

Investments classified in the Level 1 of the fair value hierarchy are valued using prices provided by Bank of America for the District's employee benefit trust.

Investments classified in the Level 2 of the fair value hierarchy represents the District's share of the Local Government Investment Pool as provided by the State of Wisconsin Investment Board and the Wisconsin Investment Series Cooperative.

Note 15. Limitation on School District Revenues:

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Note 16. Contingent Liabilities:

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2020. No settlements exceeded insured amounts in the last three fiscal years.

Litigation - from time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the District's financial position.

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.

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

**FOND DU LAC SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 17. Interfund Receivables, Payables, and Transfers:

Interfund transfers on the fund financial statements at June 30, 2020, consisted of the following:

Transfer from the general fund to the food service fund	\$ 1,012
Transfer from the general fund to the debt service fund	15,985
Total interfund transfers	\$ 16,997

The interfund transfer between the general fund and the food service fund was made to cover the bad debt expense in the food service fund. The interfund transfer between the general fund and the debt service fund was made to clear out the due to general fund balance from the prior year.

Note 18. Prior Period Adjustment:

The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84.

	Agency Funds	Private Purpose Trust Funds	Special Revenue Trust Fund
Net position/fund balance as previously reported at June 30, 2019	\$ 244,822	\$ 56,195	\$ 746,468
To reclassify funds as a result of the implementation of GASB Statement No. 84:			
Scholarship funds	--	(56,195)	56,195
Agency funds	(244,822)	--	244,822
Net position/fund balance as restated July 1, 2019	\$ --	\$ --	\$ 1,047,485

The effect of the District making a prior period adjustment due to the implementation of GASB Statement No. 84 resulted in the restatement of the District's net position as of July 1, 2019, as follows:

Total net position as previously reported in the statement of activities	\$ 55,795,132
Scholarship funds reclassified	56,195
Agency funds reclassified	244,822
Total net position as restated July 1, 2019	\$ 56,096,149

Note 19. Subsequent Events:

The District has evaluated all subsequent events through January 19, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Other Post Employment Benefits Plan

Last 10 Fiscal Years*

	2020	2019
Total OPEB liability:		
Service cost	\$ 321,447	\$ 358,083
Interest	361,899	337,221
Changes of assumptions or other input	71,454	51,168
Differences between expected and actual experience	--	981,861
Benefit payments	(1,679,564)	(1,708,969)
Net change in total OPEB liability	(924,764)	19,364
Total OPEB liability - beginning	10,329,698	10,310,334
Total OPEB liability - ending	\$ 9,404,934	\$ 10,329,698
Plan fiduciary net position:		
Contributions - employer	\$ 1,627,337	\$ 1,591,132
Net investment income	52,454	41,823
Benefit payments	(1,679,564)	(1,708,969)
Other adjustment	--	--
Net change in plan fiduciary net position	227	(76,014)
Total fiduciary net position - beginning	2,803,343	2,879,357
Total fiduciary net position - ending	\$ 2,803,570	\$ 2,803,343
Net OPEB liability - ending	\$ 6,601,364	\$ 7,526,355
Plan fiduciary net position as a percentage of the total OPEB liability	29.81%	27.14%
The District's covered employee payroll	\$ 43,826,287	\$ 43,826,287
Net OPEB liability as a percentage of covered employee payroll	15.06%	17.17%

* The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

** The other adjustment amount is due to a change in the prior year liability determined by the actuary.

2017 is the first year that this information has been made available due to implementation of GASB 74 and 75.

<u>2018</u>	<u>2017</u>
\$ 382,883	\$ 382,883
322,511	355,151
(145,578)	--
--	--
<u>(1,616,833)</u>	<u>(2,035,247)</u>
<u>(1,057,017)</u>	<u>(1,297,213)</u>
11,367,351	12,664,564
<u>\$ 10,310,334</u>	<u>\$ 11,367,351</u>

\$ 1,745,581	\$ 2,047,112
46,514	47,453
(1,616,833)	(2,035,247)
132,694	--
<u>307,956</u>	<u>59,318</u>
2,571,401	2,512,083
<u>\$ 2,879,357</u>	<u>\$ 2,571,401</u>
<u>\$ 7,430,977</u>	<u>\$ 8,795,950</u>

27.93%	22.62%
--------	--------

\$ 8,699,318	\$ 7,921,748
--------------	--------------

85.42%	111.04%
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SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Other Post Employment Benefits Plan
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 1,658,652	\$ 1,961,471
Contributions in relation to the actuarially determined contributions	<u>(1,627,337)</u>	<u>(1,591,132)</u>
Contribution deficiency (excess)	<u>\$ 31,315</u>	<u>\$ 370,339</u>
District's covered employee payroll	\$ 43,826,287	\$ 43,826,287
Contributions as a percentage of covered employee payroll	3.71%	3.63%

* The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

2017 is the first year that this information has been made available due to implementation of GASB 74 and 75.

<u>2018</u>	<u>2017</u>
\$ 1,904,341	\$ 2,339,451
<u>(1,745,581)</u>	<u>(2,047,112)</u>
<u>\$ 158,760</u>	<u>\$ 292,339</u>
\$ 8,699,318	\$ 7,921,748
20.07%	25.84%

SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**NOTES TO REQUIRED OPEB PLAN SCHEDULES
For the Year Ended June 30, 2020**

Note 1. Changes of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Changes of Assumptions:

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2018.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
Wisconsin Retirement System
Last 10 Fiscal Years***

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
06/30/15	0.31415335%	\$ (7,716,466)	\$ 43,612,777	102.74%
06/30/16	0.30914851%	5,023,603	42,254,457	98.20%
06/30/17	0.30534054%	2,516,735	43,641,857	99.12%
06/30/18	0.30026422%	(8,915,200)	44,205,730	102.93%
06/30/19	0.29881578%	10,630,928	45,376,798	96.45%
06/30/20	0.29435203%	(9,491,253)	46,314,047	102.96%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
06/30/15	\$ 3,063,514	\$ 3,063,514	\$ --	\$ 43,612,777	7.0%
06/30/16	2,902,290	2,902,290	--	42,254,457	6.8%
06/30/17	2,888,771	2,888,771	--	43,641,857	6.6%
06/30/18	3,006,651	3,006,651	--	44,205,730	6.8%
06/30/19	3,050,996	3,050,996	--	45,376,798	6.7%
06/30/20	3,033,581	3,033,581	--	46,314,047	6.6%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES
For the Year Ended June 30, 2020**

Note 1. Changes of Benefit Terms:

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

Note 2. Changes of Assumptions:

No significant changes in assumptions were noted from the prior year.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Supplemental Pension Plan

Last 10 Fiscal Years*

	2020	2019	2018
Total pension liability:			
Service cost	\$ 157,253	\$ 153,303	\$ 166,916
Interest	149,813	120,413	98,629
Differences between expected and actual experience	--	230,982	--
Changes in assumptions or other input	57,407	47,967	(106,017)
Other adjustment	--	--	--
Net change in total pension liability	364,473	552,665	159,528
 Total pension liability - beginning	3,916,376	3,363,711	3,204,183
Total pension liability - ending	\$ 4,280,849	\$ 3,916,376	\$ 3,363,711
 Plan fiduciary net position:			
Contributions - employer	\$ 400,000	\$ 300,000	\$ 400,000
Net investment income	16,947	19,600	16,059
Other adjustment	--	--	--
Net change in plan fiduciary net position	416,947	319,600	416,059
 Total fiduciary net position - ending	1,662,314	1,342,714	926,655
Total fiduciary net position - beginning	\$ 2,079,261	\$ 1,662,314	\$ 1,342,714
 Net pension liability - ending	\$ 2,201,588	\$ 2,254,062	\$ 2,020,997
 Plan fiduciary net position as a percentage of the total pension liability	48.57%	42.45%	39.92%
 The District's covered employee payroll	\$ 17,958,960	\$ 17,958,960	\$ 16,295,627
 Net pension liability as a percentage of covered employee payroll	12.26%	12.55%	12.40%

* The amounts presented for each fiscal year were determined as of the prior year-end.

**The other adjustment amount is due a change to the prior year liability determined by the actuary.

2015 was the first year that this information was made available due to implementation of GASB 68.

2017	2016	2015
\$ 116,175	\$ 116,175	\$ 116,175
159,583	139,334	131,580
(513,776)	--	--
598,788	--	--
5,873	--	--
<u>366,643</u>	<u>255,509</u>	<u>247,755</u>
2,837,540	2,582,031	2,334,276
<u>\$ 3,204,183</u>	<u>\$ 2,837,540</u>	<u>\$ 2,582,031</u>
\$ 400,000	\$ 398,547	\$ 115,001
9,998	7,099	39
(4,029)	--	--
<u>405,969</u>	<u>405,646</u>	<u>115,040</u>
520,686	115,040	--
<u>\$ 926,655</u>	<u>\$ 520,686</u>	<u>\$ 115,040</u>
<u>\$ 2,277,528</u>	<u>\$ 2,316,854</u>	<u>\$ 2,466,991</u>
28.92%	18.35%	4.46%
\$ 16,295,627	\$ 18,316,021	\$ 18,316,021
13.98%	12.65%	13.47%

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Supplemental Pension Plan
Last 10 Fiscal Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 404,718	\$ 418,704	\$ 406,509
Contributions in relation to the actuarially determined contributions	<u>400,000</u>	<u>300,000</u>	<u>400,000</u>
Contribution deficiency (excess)	<u>\$ 4,718</u>	<u>\$ 118,704</u>	<u>\$ 6,509</u>
The District's covered employee payroll	\$ 17,958,960	\$ 17,958,960	\$ 16,295,627
Contributions as a percentage of covered employee payroll	2.23%	1.67%	2.45%

* The amounts presented for each fiscal year were determined as of the prior year-end.

2015 was the first year that this information was made available due to implementation of GASB 68.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 411,805	\$ 242,792	\$ 450,825
<u>400,000</u>	<u>398,547</u>	<u>115,001</u>
<u>\$ 11,805</u>	<u>\$ (155,755)</u>	<u>\$ 335,824</u>
\$ 16,295,627	\$ 18,316,021	\$ 18,316,021
2.45%	2.18%	0.63%

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES
For the Year Ended June 30, 2020

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2018.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY (ASSET)**

Local Retiree Life Insurance Fund
Last 10 Fiscal Years*

Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
06/30/18	0.89254900%	\$ 2,685,305	\$ 37,534,239	44.81%
06/30/19	0.90269300%	2,329,253	42,387,000	48.69%
06/30/20	0.89007400%	3,790,109	43,192,000	37.58%

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

2018 was the first year that this information was made available due to implementation of GASB 75.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

NOTES TO REQUIRED LRLIF PLAN SCHEDULE
For the Year Ended June 30, 2020

Note 1. Change of Benefit Terms:

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

Note 2. Changes of Assumptions:

Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the actuarial assumptions section in Note 13 for additional details.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Local sources	\$ 26,384,110	\$ 26,392,196	\$ 27,161,735	\$ 769,539
Interdistrict sources	1,849,498	1,849,498	1,766,685	(82,813)
State sources	54,677,828	54,711,101	54,868,293	157,192
Federal sources	2,869,608	2,893,802	2,609,298	(284,504)
Other sources	116,000	126,825	195,939	69,114
Total revenues	<u>85,897,044</u>	<u>85,973,422</u>	<u>86,601,950</u>	<u>628,528</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	18,000,721	18,006,892	17,970,982	35,910
Regular curriculum	15,908,968	15,947,872	15,760,296	187,576
Vocational curriculum	2,132,645	2,136,586	2,010,936	125,650
Physical curriculum	2,636,732	2,635,240	2,489,131	146,109
Co-curricular curriculum	843,224	843,224	916,380	(73,156)
Special needs curriculum	1,725,366	1,731,571	1,575,262	156,309
Total instruction	<u>41,247,656</u>	<u>41,301,385</u>	<u>40,722,987</u>	<u>578,398</u>
Support services:				
Pupil services	2,920,268	2,918,154	2,432,235	485,919
Instructional staff services	5,582,809	5,636,965	5,063,590	573,375
General administration	515,071	515,071	490,756	24,315
School building administration	4,383,775	4,382,975	4,629,239	(246,264)
Business administration	11,397,791	11,396,791	10,512,895	883,896
Central services	1,610,878	1,610,878	1,428,392	182,486
Insurance and judgements	805,366	805,366	816,479	(11,113)
Debt service	184,999	184,999	118,854	66,145
Other support services	784,611	776,324	1,283,952	(507,628)
Total support services	<u>28,185,568</u>	<u>28,227,523</u>	<u>26,776,392</u>	<u>1,451,131</u>
Nonprogram	6,889,060	6,869,754	6,778,576	91,178
Total expenditures	<u>76,322,284</u>	<u>76,398,662</u>	<u>74,277,955</u>	<u>2,120,707</u>
Excess of revenues over expenditures	<u>9,574,760</u>	<u>9,574,760</u>	<u>12,323,995</u>	<u>2,749,235</u>
Other financing sources (uses):				
Lease proceeds	210,330	210,330	210,330	--
Net operating transfers (out)	(9,785,090)	(9,785,090)	(9,806,577)	(21,487)
Net other financing sources (uses)	<u>(9,574,760)</u>	<u>(9,574,760)</u>	<u>(9,596,247)</u>	<u>(21,487)</u>
Net change in fund balance	--	--	2,727,748	2,727,748
Fund balance, beginning of year	16,651,496	16,651,496	16,651,496	--
Fund balance, end of year	<u>\$ 16,651,496</u>	<u>\$ 16,651,496</u>	<u>\$ 19,379,244</u>	<u>\$ 2,727,748</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intermediate sources	\$ 10,000	\$ 10,000	\$ 22,303	\$ 12,303
State sources	3,697,503	3,697,503	3,453,669	(243,834)
Federal sources	2,544,891	2,370,609	1,988,924	(381,685)
Total revenues	<u>6,252,394</u>	<u>6,078,112</u>	<u>5,464,896</u>	<u>(613,216)</u>
Expenditures:				
Instruction:				
Special curriculum	13,222,930	13,288,477	12,926,346	362,131
Support services:				
Pupil services	1,160,502	1,146,302	1,122,153	24,149
Instructional staff services	376,976	348,121	316,284	31,837
Business administration	1,004,901	839,302	598,457	240,845
Central services	102,000	2,000	--	2,000
Insurance and judgements	--	--	553	(553)
Other support services	--	--	8,544	(8,544)
Total support services	<u>2,644,379</u>	<u>2,335,725</u>	<u>2,045,991</u>	<u>289,734</u>
Nonprogram	<u>170,175</u>	<u>239,000</u>	<u>282,139</u>	<u>(43,139)</u>
Total expenditures	<u>16,037,484</u>	<u>15,863,202</u>	<u>15,254,476</u>	<u>608,726</u>
Excess of revenues over (under) expenditures	<u>(9,785,090)</u>	<u>(9,785,090)</u>	<u>(9,789,580)</u>	<u>(4,490)</u>
Other financing sources (uses):				
Net operating transfers in (out)	<u>9,785,090</u>	<u>9,785,090</u>	<u>9,789,580</u>	<u>4,490</u>
Net change in fund balance	--	--	--	--
Fund balance, beginning of year	--	--	--	--
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

OTHER SUPPLEMENTARY INFORMATION

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND**

June 30, 2020

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 11,413,236	\$ 146,225	\$ --	\$ 11,559,461
Taxes receivable, net	8,591,273	--	--	8,591,273
Accounts receivable	119,659	3,819	--	123,478
Due from other governments	1,945,469	895,815	--	2,841,284
Inventories	188,325	--	--	188,325
Prepaid expenses	54,926	--	--	54,926
Total assets	<u>\$ 22,312,888</u>	<u>\$ 1,045,859</u>	<u>\$ --</u>	<u>\$ 23,358,747</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 324,851	\$ 6,221	\$ --	\$ 331,072
Accrued salaries and wages	144,850	4,706	--	149,556
Accrued payroll taxes and withholdings	2,463,943	1,034,932	--	3,498,875
Total liabilities	<u>2,933,644</u>	<u>1,045,859</u>	<u>--</u>	<u>3,979,503</u>
Fund balances:				
Nonspendable	243,251	--	--	243,251
Spendable:				
Unassigned	19,135,993	--	--	19,135,993
Total fund balances	<u>19,379,244</u>	<u>--</u>	<u>--</u>	<u>19,379,244</u>
Total liabilities and fund balances	<u>\$ 22,312,888</u>	<u>\$ 1,045,859</u>	<u>\$ --</u>	<u>\$ 23,358,747</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GENERAL FUND**

For the Year Ended June 30, 2020

	General Fund	Special Education Fund	Eliminations	Totals
Revenues:				
Local sources	\$ 27,161,735	\$ --	\$ --	\$ 27,161,735
Interdistrict sources	1,766,685	--	--	1,766,685
Intermediate sources	--	22,303	--	22,303
State sources	54,868,293	3,453,669	--	58,321,962
Federal sources	2,609,298	1,988,924	--	4,598,222
Other sources	195,939	--	--	195,939
Total revenues	86,601,950	5,464,896	--	92,066,846
Expenditures:				
Instruction:				
Undifferentiated curriculum	17,970,982	--	--	17,970,982
Regular curriculum	15,760,296	--	--	15,760,296
Special curriculum	--	12,926,346	--	12,926,346
Other instruction	6,991,709	--	--	6,991,709
Total instruction	40,722,987	12,926,346	--	53,649,333
Support services:				
Pupil services	2,432,235	1,122,153	--	3,554,388
Instructional staff services	5,063,590	316,284	--	5,379,874
General administration	490,756	--	--	490,756
School building administration	4,629,239	--	--	4,629,239
Business administration	10,512,895	598,457	--	11,111,352
Debt service	118,854	--	--	118,854
Other support services	3,528,823	9,097	--	3,537,920
Total support services	26,776,392	2,045,991	--	28,822,383
Nonprogram	6,778,576	282,139	--	7,060,715
Total expenditures	74,277,955	15,254,476	--	89,532,431
Excess of revenues over (under) expenditures	12,323,995	(9,789,580)	--	2,534,415
Other financing sources (uses):				
Operating transfers in	--	9,789,580	(9,789,580)	--
Lease proceeds	210,330	--	--	210,330
Operating transfers (out)	(9,806,577)	--	9,789,580	(16,997)
Net other financing sources (uses)	(9,596,247)	9,789,580	--	193,333
Net change in fund balances	2,727,748	--	--	2,727,748
Fund balances, beginning of year	16,651,496	--	--	16,651,496
Fund balances, end of year	\$ 19,379,244	\$ --	\$ --	\$ 19,379,244

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2020

	<u>Special Revenue Trust Fund</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 991,030	\$ 1,707,887	\$ 2,278,631	\$ 4,977,548
Accounts receivable	9,422	29,374	23,870	62,666
Inventory	--	26,037	--	26,037
Due from other governments	--	212,844	--	212,844
Total assets	<u>\$ 1,000,452</u>	<u>\$ 1,976,142</u>	<u>\$ 2,302,501</u>	<u>\$ 5,279,095</u>
 LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 19,704	\$ 38,381	\$ 286,352	\$ 344,437
Accrued salaries and wages	7,125	694	19,325	27,144
Accrued payroll taxes and withholdings	7,604	1,631	29,783	39,018
Food service deposits	--	133,528	--	133,528
Total liabilities	<u>34,433</u>	<u>174,234</u>	<u>335,460</u>	<u>544,127</u>
 Fund balances:				
Nonspendable	--	26,037	--	26,037
Spendable:				
Restricted	<u>966,019</u>	<u>1,775,871</u>	<u>1,967,041</u>	<u>4,708,931</u>
Total fund balances	<u>966,019</u>	<u>1,801,908</u>	<u>1,967,041</u>	<u>4,734,968</u>
Total liabilities and fund balances	<u>\$ 1,000,452</u>	<u>\$ 1,976,142</u>	<u>\$ 2,302,501</u>	<u>\$ 5,279,095</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -**

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2020

	Special Revenue Trust Fund	Food Service	Community Service	Totals
Revenues:				
Local sources	\$ 1,265,496	\$ 720,029	\$ 1,788,013	\$ 3,773,538
State sources	--	54,223	--	54,223
Federal sources	--	1,966,423	--	1,966,423
Other sources	15,120	--	110	15,230
Total revenues	1,280,616	2,740,675	1,788,123	5,809,414
Expenditures:				
Instruction:				
Undifferentiated curriculum	41,820	--	--	41,820
Regular curriculum	28,865	--	--	28,865
Other instruction	900,936	--	--	900,936
Support services:				
Pupil services	216,947	--	--	216,947
Instructional staff services	64,944	--	--	64,944
School building administration	4,168	--	--	4,168
Business administration	77,000	--	--	77,000
Central services	27,402	--	--	27,402
Food service	--	2,331,785	--	2,331,785
Community service	--	--	1,728,528	1,728,528
Total expenditures	1,362,082	2,331,785	1,728,528	5,422,395
Excess of revenues over (under) expenditures	(81,466)	408,890	59,595	387,019
Other financing sources (uses):				
Operating transfers in	--	1,012	--	1,012
Net change in fund balances	(81,466)	409,902	59,595	388,031
Fund balances, beginning of year, as restated	1,047,485	1,392,006	1,907,446	4,346,937
Fund balances, end of year	\$ 966,019	\$ 1,801,908	\$ 1,967,041	\$ 4,734,968

STEM ACADEMY

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS

FISCAL YEAR ENDING (JUNE 30, 2020)

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
EMPLOYEE SALARIES	100	167.64
EMPLOYEE BENEFITS	200	86.00
PURCHASED SERVICES	300	
NON-CAPITAL OBJECTS	400	
CAPITAL OBJECTS	500	
INSURANCE & JUDGEMENTS	700	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
TOTAL		253.64

STEM INSTITUTE

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS

FISCAL YEAR ENDING (JUNE 30, 2020)

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
EMPLOYEE SALARIES	100	167.64
EMPLOYEE BENEFITS	200	86.00
PURCHASED SERVICES	300	
NON-CAPITAL OBJECTS	400	
CAPITAL OBJECTS	500	
INSURANCE & JUDGEMENTS	700	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
TOTAL		253.64

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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

Federal Grantor/ Pass-Through Grantor/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 6/30/19	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/20
U.S. DEPARTMENT OF AGRICULTURE						
Pass-Through Programs From:						
WI Department of Public Instruction:						
<i>Child Nutrition Cluster:</i>						
School Breakfast Severe	10.553	2020-201862-DPI-SB-SEVERE-546	\$ 73,970	\$ 316,264	\$ 390,234	\$ --
School Breakfast Severe - COVID-19	10.553	2020-201862-DPI-SB-SEVERE-546	--	27,244	27,244	--
National School Lunch - Non-Cash	10.555	2020-201862-DPI-NSL-001	--	216,276	216,276	--
National School Lunch - Cash	10.555	2020-201862-DPI-NSL-547	182,067	875,963	1,058,030	--
National School Lunch - Cash - COVID-19	10.555	2020-201862-DPI-NSL-547	--	72,570	72,570	--
NSL Snack Program	10.555	2020-201862-DPI-SK_NSL-561	189	719	908	--
NSL Area Eligible Snack Program	10.555	2020-201862-DPI-NSLAE-566	594	2,031	2,625	--
NSL Area Eligible Snack Program - COVID-19	10.555	2020-201862-DPI-NSLAE-566	--	482	482	--
Summer Food Service Program	10.559	2020-201862-DPI-SFSP-586	42,915	48,165	91,080	--
Summer Food Service Program - COVID-19	10.559	2020-201862-DPI-SFSP-586	--	263,806	50,962	212,844
Child Nutrition Cluster Totals			<u>299,735</u>	<u>1,823,520</u>	<u>1,910,411</u>	<u>212,844</u>
Child and Adult Care Food Program	10.558	2020-201862-DPI-AR-551	13,319	111,650	124,969	--
Fresh Fruit/Vegetable Program	10.582	2020-201862-20FFVP-OCT-376	4,163	27,203	31,366	--
Fresh Fruit/Vegetable Program	10.582	2020-201862-2018-19 DP-594	--	4,051	4,051	--
U.S. DEPARTMENT OF EDUCATION						
Physical Education Program Grant	84.215F	N/A	14,440	47,593	62,033	--
Pass-Through Programs From:						
WI Department of Public Instruction:						
Title I-A Basic Grant	84.010	2020-201862-DPI-TIA-141	586,888	1,300,414	1,385,337	501,965
<i>Special Education Cluster:</i>						
IDEA Flow Through	84.027	2020-201862-DPI-IDEA-F-341	653,221	1,827,800	1,569,185	911,836
IDEA Discretionary	84.027	2020-201862-DPI-UDLSUP-342	7,935	8,796	10,931	5,800
IDEA Preschool Entitlement	84.173	2020-201862-DPI-IDEA-P-347	14,392	44,360	36,913	21,839
Special Education Cluster Totals			<u>675,548</u>	<u>1,880,956</u>	<u>1,617,029</u>	<u>939,475</u>
Carl Perkins CTE Grant	84.048	2020-201862-DPI-CTE-400	27,874	58,538	56,130	30,282
Education for Homeless Children	84.196	2020-201862-DPI-EHCY-335	11,762	32,169	36,343	7,588
Title IV-B 21st Century Community	84.287	2020-201862-CLC DPI-367	61,233	208,861	213,186	56,908
Title III-A Grants to LEAs	84.365	2020-201862-DPI-T3-391	18,309	45,827	47,255	16,881
Title II-A	84.367	2020-201862-DPI-TIIA-365	63,980	202,689	235,494	31,175
Title IV-A	84.424	2020-201862-TIVA DPI-381	39,570	67,061	66,296	40,335

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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

Federal Grantor/ Pass-Through Grantor/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 6/30/19	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/20
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass-Through Programs From:						
WI Department of Health Services:						
Medical Assistance Program	93.778	N/A	62,649	707,041	769,266	424
WI Department of Public Instruction:						
Pregnancy Assistance Grant	93.500	2020-201862-DPI-Inspir-591	5,716	43,172	21,157	27,731
U.S. DEPARTMENT OF TRANSPORTATION						
Pass-Through Programs From:						
WI Department of Transportation						
Safe Routes to Schools	20.205	N/A	--	3,900	3,900	--
Totals			<u>\$ 1,885,186</u>	<u>\$ 6,564,645</u>	<u>\$ 6,584,223</u>	<u>\$ 1,865,608</u>

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

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

State Grantor/ Pass-Through Grantor/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 6/30/19	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/20
WI DEPARTMENT OF PUBLIC INSTRUCTION						
Special Education and						
School Age Parents	255.101	201862-100	\$ --	\$ 3,368,619	\$ 3,368,619	\$ --
State School Lunch Aid	255.102	201862-107	--	29,921	29,921	--
Common School Fund Library Aid	255.103	201862-104	--	329,987	329,987	--
Bilingual/Bicultural Aid	255.106	201862-111	--	14,258	14,258	--
General Transportation Aid	255.107	201862-102	--	31,821	31,821	--
General Equalization Aid	255.201	201862-116	753,457	46,163,929	46,160,782	756,604
High Cost Special Education Aid	255.210	201862-119	--	38,050	38,050	--
Supplemental Per Pupil Aid	255.245	201862-181	--	24,405	24,405	--
Special Education Transition	255.257	201862-174	1,016	--	1,016	--
School Based Mental Health	255.297	201862-177	55,566	70,151	103,352	22,365
Peer Review and Mentoring	255.301	201862-141	14,804	--	14,804	--
Alcohol and Other Drug Abuse	255.306	201862-143	8,149	24,878	16,583	16,444
AODA Program Grants	255.321	201862-142	1,517	--	1,517	--
State School Breakfast Aid	255.344	201862-108	--	24,302	24,302	--
Tobacco Grant	255.389	201862-179	--	1,000	--	1,000
Tuition Payments by State	255.401	201862-157	--	188,463	188,463	--
Early College Credit Program	255.445	201862-178	--	550	550	--
SAGE	255.504	201862-160	--	1,442,378	1,442,378	--
Educator Effective Evaluation						
System	255.940	201862-154	--	37,920	37,920	--
Per Pupil Aid	255.945	201862-113	--	5,394,340	5,394,340	--
Career & Technical Education						
Incentive	255.950	201862-152	--	65,284	65,284	--
Assessments of Reading Readiness	255.956	201862-166	--	5,179	5,179	--
Aid for Special Education						
Transition Grant BBL	255.960	201862-168	--	47,000	47,000	--
CESA #6:						
Special Education and						
School Age Parents	255.101	N/A	--	20,481	20,481	--
WISCONSIN DEPARTMENT OF JUSTICE						
Safety Initiative	455.206	N/A	92,596	370,129	462,725	--
Totals			\$ 927,105	\$ 57,693,045	\$ 57,823,737	\$ 796,413

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS**

For the Year Ended June 30, 2020

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (schedules) include the federal and state grant activity of Fond du Lac School District under programs of the federal and state governments for the year ended June 30, 2019. 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 *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Fond du Lac School District, they are not intended to and do not present the financial position, changes in the net assets or cash flow of Fond du Lac School District.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Fond du Lac School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Note 3. Special Education and School Age Parents Program:

The 2019-2020 eligible costs under the state special education program as reported by the District are \$13,409,331. The 2020-2021 estimated aid reimbursement is \$3,325,514.

Note 4. 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 Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2020.



Erickson & Associates, S.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Fond du Lac School District
Fond du Lac, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fond du Lac School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

Fond du Lac School District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 19, 2021



Erickson & Associates, S.C.

Certified Public Accountants

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

Board of Education
Fond du Lac School District
Fond du Lac, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Fond du Lac School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2020. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Fond du Lac School 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 federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
January 19, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH STATE PROGRAM WITH LIMITED REQUIRED PROCEDURES AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

Board of Education
Fond du Lac School District
Fond du Lac, Wisconsin

Report on Compliance for Each State Program

We have audited the Fond du Lac School District's (District) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures for the year ended June 30, 2020. The District's state programs that have limited procedures are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the limited compliance requirements for each of the District's state programs with limited required procedures based on our audit of the limited procedures required. We conducted our audit of compliance in accordance with the audit requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. An audit includes examining, on a test basis, evidence about the District's compliance with those limited 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 with the limited compliance requirements for each state program with limited required procedures. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each State Program

In our opinion, the District complied, in all material respects, with the limited requirements referred to above for each of its state programs with limited required procedures for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 19, 2021

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report on financial statements:	Unmodified opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 200.516(a) of the Uniform Guidance?	No
Identification of major federal programs:	
84.010	Title I-A Basic Grant
93.778	Medical Assistance Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	No
Identification of major state programs:	
255.201	General Equalization Aid
255.401	Tuition Payments by State
255.504	SAGE
255.945	Per Pupil Aid

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2020

Summary of Auditor's Results - Continued:

Dollar threshold used to distinguish between Type A and Type B programs:	\$250,000
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Other Programs with Limited Required Procedures

Internal control over major programs with required procedures:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of state program with required procedures:		
	255.101	Special Education and School Age Parents

Financial Statement Findings:

2020-001 Financial Statement Preparation

Condition: The District has historically relied upon its auditors to assist in the preparation of the district-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.

Criteria: We are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting district-wide and fund financial statements, including the related footnotes.

Cause: The additional costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2019-001.

Recommendation: The District should continue to evaluate the cost/benefit of outsourcing the task of preparing the financial statements to the external auditors.

Views of Responsible Officials: See District's corrective action plan.

**FOND DU LAC SCHOOL DISTRICT
FOND DU LAC, WISCONSIN**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020

Status of Prior Year Findings:

The finding noted in the 2019 Schedule of Findings and Questioned Costs has been reported to the proper federal and state agencies.

2019-001 Financial Statement Preparation

Management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding. This is considered to be a repeat finding.

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2020

2020-001 Financial Statement Preparation

The District has evaluated the cost/benefit of outsourcing the task of preparing the financial statements to an external accountant. It would be cost prohibitive to hire additional staff or outsource the task to an outside accountant. However, management of the District has obtained the necessary skills, knowledge, and experience to accept responsibility for the preparation of the District's financial statements.

Anticipated Corrective Action Plan Completion Date: Ongoing

Contact Information: For more information regarding this finding please contact Michael Gerlach.

Michael Gerlach

Michael Gerlach

Director of Business Services

920-906-6540



The mission of the Fond du Lac School District, in partnership with the family and the community, is to promote high achievement and foster the continuous growth of the whole child, so that each becomes a creative, contributing citizen in a global society by providing personalized learning opportunities in a safe, nurturing environment.
