



CliftonLarsonAllen LLP  
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Board of Trustees  
Winnefox Library System  
Oshkosh, Wisconsin

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Winnefox Library System as of and for the year ended December 31, 2020, and have issued our report thereon August 26, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the *Wisconsin Public School District Audit Manual*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Winnefox Library System are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable life of the capital assets is based on expected useful life of the capital assets. We evaluated the key factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred outflows/inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### ***Corrected misstatements***

The following material misstatements detected as a result of audit procedures were corrected by management:

- Recorded a reclassification to remove an invoice recorded to accounts payable and prepaid supplies
- Recorded a receivable for CARES funding relating to expenditures incurred for COVID-19

#### ***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

#### ***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated August 26, 2021.

#### ***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal and state awards (SEFSA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFSA to determine that the SEFSA complies with the requirements of the Wisconsin Public School District Audit Manual, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFSA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFSA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated August 26, 2021.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

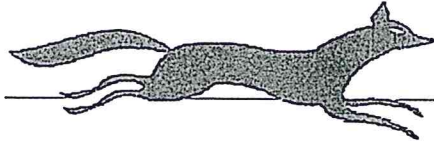
\* \* \*

This communication is intended solely for the information and use of the board of trustees and management of Winnefox Library System and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
August 26, 2021



Jeff Gilderson-Duwe, Director  
Mark Arend, Assistant Director

## WINNEFOX LIBRARY SYSTEM

106 Washington Avenue Oshkosh, WI 54901-4985  
phone (920) 236-5220 fax (920) 236-5228  
www.winnefox.org

August 26, 2021

CliftonLarsonAllen LLP  
712 Riverfront Drive, Suite 301  
Sheboygan, WI 53081

This representation letter is provided in connection with your audit of the financial statements of Winnefox Library System, which comprise the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of August 26, 2021, the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2020.

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 28, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.

You have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.

We have not identified or been notified of any uncorrected financial statement misstatements.

8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
10. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
11. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. We believe that all material expenditures that have been deferred to future periods will be recoverable.
14. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
15. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
16. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

### Information Provided

1. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. All communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  - f. All communications from regulatory agencies concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
  - g. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have taken timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or waste or abuse that you have reported to us.
12. We have a process to track the status of audit findings and recommendations.
13. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
14. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
15. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Winnefox Library System, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
16. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
17. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.

21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
24. Investments are properly valued.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
27. Deposits and investment securities are properly classified as to risk and are properly valued and disclosed.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal and state awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal and state awards. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

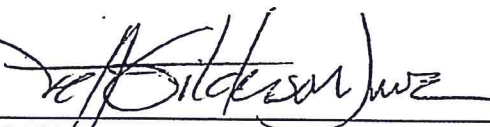
32. We have evaluated the adequacy and results of the depreciation services performed and accept responsibility for the results. We acknowledge our responsibility for our depreciation schedules and have determined the methods and rates of depreciation and the salvage values used in the calculations. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your depreciation services; have made all significant management judgments and decisions; and have assumed all management responsibilities. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

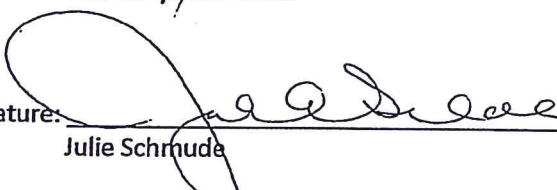
33. With respect to state award programs:

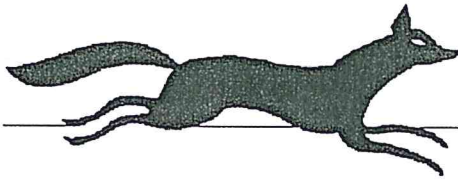
- a. We are responsible for understanding and complying with, and have complied with the requirements of the *Wisconsin Public School System Audit Manual* issued by the Wisconsin Department of Public Instruction including requirements relating to preparation of the schedule of expenditures of state awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal and state awards (SESA) in accordance with the requirements of the *Wisconsin Public School District Manual*, and we believe the SESA, including its form and content, is fairly presented in accordance with the *Wisconsin Public School District Manual*. The methods of measurement and presentation of the SESA have not changed from those used in the prior, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SESA.
- c. We have identified and disclosed to you all of our government programs and related activities subject to the *Wisconsin Public School District Manual* compliance audit, and included in the SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal or state awards, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d. We are responsible for understanding and complying with, and have complied with, the requirements of state statutes, regulations, and the terms and conditions of state awards related to each of our state programs and have identified and disclosed to you the requirements of state statutes, regulations, and the terms and conditions of state awards that are considered to have a direct and material effect on each major program.
- e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for state programs that provides reasonable assurance that we are managing our state awards in compliance with state statutes, regulations, and the terms and conditions of state awards that could have a material effect on our state programs. We believe the internal control system is adequate and is functioning as intended.
- f. We have made available to you all state awards (including amendments, if any) and any other correspondence with state agencies or pass-through entities relevant to state programs and related activities.

- g. We have received no requests from a state agency to audit one or more specific programs as a major program.
- h. We have complied with the direct and material compliance requirements including when applicable, those set forth in the *Wisconsin Public School District Manual*, relating to state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of state awards.
- i. We have disclosed to you any communications from state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- m. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- n. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- o. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- p. State program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- q. The copies of state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r. We have charged costs to federal and state awards in accordance with applicable cost principles.

- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Wisconsin Public School District Manual, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- t. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- u. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the *Wisconsin Public School District Manual*.
- v. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature:  9-7-2021 Title: Director  
Jeff Gilderson-Duwe

Signature:  9/8/2021 Title: Bookkeeper  
Julie Schrnude



Jeff Gilderson-Duwe, Director  
Mark Arend, Assistant Director

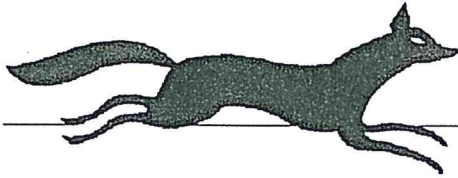
## WINNEFOX LIBRARY SYSTEM

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### PRIOR YEAR AUDIT FINDINGS

The findings noted in the 2019 Schedule of Findings and Questioned Costs have been reported to the proper state agencies. The current status of the prior year audit findings, as provided by management, follows:

<u>Finding No.</u>	<u>Prior Year Audit Finding</u>
2019-001	<b>Segregation of Duties</b> Management has segregated duties when cost effective. The finding is repeated as 2020-001.
2019-002	<b>Preparation of Annual Financial Report</b> Management continues to rely upon the audit firm to prepare its financial statements. The finding is repeated as 2020-002.
2019-003	<b>Segregation of Duties - State Grant Management</b> Management has segregated duties when cost effective. The finding is repeated as 2020-004.



Jeff Gilderson-Duwe, Director  
Mark Arend, Assistant Director

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### CORRECTIVE ACTION PLAN

<u>Finding No.</u>	<u>Corrective Action Plan</u>
<b>2020-001</b>	<b>Segregation of Duties</b>
Management Response:	Management has effectively segregated cash receipts, disbursements, and general ledger maintenance responsibilities when possible or has established additional oversight and review Procedures that are completed by either management or the Board. Ideal segregation of all transaction types is not possible due to limited staff. Management will continue to be aware of this condition.
<b>2020-002</b>	<b>Preparation of Annual Financial Report</b>
Management Response:	Management believes the cost of additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management will continue to review the financial statements and other information prior to issuance.
<b>2020-003</b>	<b>Adjustments to the System's Financial Records</b>
Management Response:	The Business Manager will continue to review the entries and supporting documentation and approve their posting prior to issuance of the annual financial reports.
<b>2020-004</b>	<b>Segregation of Duties - State Grant Management</b>
Management Response:	Management has effectively segregated cash receipts, disbursements, and general ledger maintenance responsibilities when possible or has established additional oversight and review Procedures that are completed by either management or the Board. Ideal segregation of all transaction types is not possible due to limited staff. Management will continue to be aware of this condition.

Contact for corrective action plan:  
Jeff Gilderson-Duwe, Executive Director  
106 Washington Avenue  
Oshkosh, WI 54901  
920-236-5220

Winnefox Library System  
Oshkosh, Wisconsin

FINANCIAL STATEMENTS

Year Ended December 31, 2020



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

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# Winnefox Library System

## Oshkosh, Wisconsin

DECEMBER 31, 2020

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# Winnefox Library System

## Oshkosh, Wisconsin

DECEMBER 31, 2020

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## Independent auditors' report

Board of Trustees  
Winnefox Library System  
Oshkosh, Wisconsin

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Winnefox Library System, Oshkosh, Wisconsin (the System) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the System as of December 31, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Prior-Year Comparative Information**

We have previously audited the System's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information in our report dated September 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year-end December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis, as required by the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction and is not a required part of the basic financial statements.

The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal and state awards 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 August 26, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sheboygan, Wisconsin  
August 26, 2021

## BASIC FINANCIAL STATEMENTS

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# Winnefox Library System

## Oshkosh, Wisconsin

### STATEMENT OF NET POSITION DECEMBER 31, 2020 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019

	Governmental Activities	
	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 2,537,186	\$ 2,505,519
Accounts receivable	59,654	76,731
Prepaid items	9,551	7,440
Net pension asset	154,084	-
Capital assets, depreciable, net	52,480	31,482
Total assets	2,812,955	2,621,172
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related amounts	359,090	463,016
Other postemployment related amounts	42,973	13,324
Total deferred outflows of resources	402,063	476,340
<b>LIABILITIES</b>		
Accounts payable	279,963	313,452
Accrued and other current liabilities	40,557	33,406
Due to other governments	7,951	5,967
Unearned revenues	25,467	-
Long-term obligations		
Due within one year	46,271	38,488
Due in more than one year	85,499	63,166
Net pension liability	-	170,035
Net other postemployment benefits liability	98,432	63,017
Total liabilities	584,140	687,531
<b>DEFERRED INFLOWS OF RESOURCES</b>		
State aid for subsequent year	708,669	708,669
Pension related amounts	462,490	235,224
Other postemployment related amounts	18,561	16,857
Total deferred inflows of resources	1,189,720	960,750
<b>NET POSITION</b>		
Investment in capital assets	52,480	31,482
Restricted pension asset	154,084	-
Unrestricted	1,234,594	1,417,749
Total net position	\$ 1,441,158	\$ 1,449,231

The notes to the basic financial statements are an integral part of this statement.

# Winnefox Library System

## Oshkosh, Wisconsin

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Totals 2020	2019
GOVERNMENTAL ACTIVITIES					
Library services	<u>\$ 2,151,985</u>	<u>\$ 938,039</u>	<u>\$ 229,517</u>	\$ (984,429)	\$ (981,380)
General revenues					
Public library system aid				952,614	963,164
Interest income				23,742	66,547
Other income				-	6,944
Total general revenues				<u>976,356</u>	<u>1,036,655</u>
Change in net position				(8,073)	55,275
Net position - January 1				<u>1,449,231</u>	<u>1,393,956</u>
Net position - December 31				<u>\$ 1,441,158</u>	<u>\$ 1,449,231</u>

The notes to the basic financial statements are an integral part of this statement.

# Winnefox Library System

## Oshkosh, Wisconsin

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 2,537,186	\$ 2,505,519
Accounts receivable	59,654	76,731
Prepaid items	9,551	7,440
Total assets	<u>\$ 2,606,391</u>	<u>\$ 2,589,690</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 279,963	\$ 313,452
Accrued and other current liabilities	40,557	33,406
Due to other governments	7,951	5,967
Unearned revenues	25,467	-
Total liabilities	<u>353,938</u>	<u>352,825</u>
Deferred inflows of resources		
State aid received for subsequent year	708,669	708,669
Other unavailable revenue	39,522	-
Total deferred inflows of resources	<u>748,191</u>	<u>708,669</u>
Fund balance		
Nonspendable	9,551	7,440
Unassigned	1,494,711	1,520,756
Total fund balance	<u>1,504,262</u>	<u>1,528,196</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,606,391</u>	<u>\$ 2,589,690</u>

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019

	2020	2019
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balance as shown on previous page	\$ 1,504,262	\$ 1,528,196
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	52,480	31,482
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	39,522	-
Net pension asset is not available to pay current period expenditures and therefore is deferred in the funds.	154,084	-
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	359,090	463,016
Deferred inflows related to pensions	(462,490)	(235,224)
Deferred outflows related to other postemployment benefits	42,973	13,324
Deferred inflows related to other postemployment benefits	(18,561)	(16,857)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(131,770)	(101,654)
Net pension liability	-	(170,035)
Net other postemployment benefit	(98,432)	(63,017)
Net position of governmental activities as reported on the statement of net position (see page 4)	<u>\$ 1,441,158</u>	<u>\$ 1,449,231</u>

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
REVENUES		
State and federal aids	\$ 952,614	\$ 963,164
Intergovernmental, primarily counties	345,495	343,843
Services to member libraries	784,446	781,310
Sales to libraries	8,093	9,203
Interest income	23,742	66,547
Other income	139	6,944
Total revenues	2,114,529	2,171,011
EXPENDITURES		
Administration	286,974	296,320
Consulting	51,668	59,730
Continuing education	103,468	129,727
County Plan	34,111	36,824
Delivery services	147,912	126,657
Electronic resources	38,379	33,992
Interlibrary loan	94,544	91,104
Public information	11,028	12,698
Services to special users	25,466	5,487
Services to youth	1,717	1,664
Technology	255,425	186,900
WCTS Operations	196,962	205,551
WALS operations	890,809	849,715
Total expenditures	2,138,463	2,036,369
Net change in fund balance	(23,934)	134,642
Fund balance - January 1	1,528,196	1,393,554
Fund balance - December 31	\$ 1,504,262	\$ 1,528,196

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (23,934)	\$ 134,642
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	37,182	-
Depreciation expense reported in the statement of activities	(15,684)	(18,644)
Net book value of disposals	(500)	-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	39,522	-
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences	(30,116)	13,337
Net pension liability / asset	324,119	(318,955)
Deferred outflows of resources related to pensions	(103,926)	192,222
Deferred inflows of resources related to pensions	(227,266)	59,467
Other postemployment benefits	(35,415)	7,125
Deferred outflows of resources related to other postemployment benefits	29,649	1,950
Deferred inflows of resources related to other postemployment benefits	(1,704)	(15,869)
Change in net position of governmental activities as reported in the statement of activities (see page 5)	<u>\$ (8,073)</u>	<u>\$ 55,275</u>

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Original & Final	Actual	Variance Final Budget - Positive (Negative)	2019 Actual
<b>REVENUES</b>				
State and federal aids	\$ 954,892	\$ 952,614	\$ (2,278)	\$ 963,164
Intergovernmental, primarily counties	328,933	345,495	16,562	343,843
Services to member libraries	838,842	784,446	(54,396)	781,310
Sales to libraries	8,000	8,093	93	9,203
Interest income	30,000	23,742	(6,258)	66,547
Other income	60,172	139	(60,033)	6,944
Total revenues	2,220,839	2,114,529	(106,310)	2,171,011
<b>EXPENDITURES</b>				
Current				
Administration	190,398	286,974	(96,576)	296,320
Capital expenditures	4,200	-	4,200	-
Collection Development	154,481	-	154,481	-
Consulting	25,903	51,668	(25,765)	59,730
Continuing education	62,788	103,468	(40,680)	129,727
County plan	13,126	34,111	(20,985)	36,824
Delivery services	101,180	147,912	(46,732)	126,657
Electronic resources	14,767	38,379	(23,612)	33,992
Inclusive services	35,000	-	35,000	-
Interlibrary loan	42,792	94,544	(51,752)	91,104
Public information	15,811	11,028	4,783	12,698
Services to special users	9,762	25,466	(15,704)	5,487
Services to youth	1,006	1,717	(711)	1,664
Technology support	99,516	255,425	(155,909)	186,900
WCTS operations	266,881	196,962	69,919	205,551
WALS operations	1,168,425	890,809	277,616	849,715
Total expenditures	2,206,036	2,138,463	67,573	2,036,369
Net change in fund balance	14,803	(23,934)	(38,737)	134,642
Fund balance - January 1	1,528,196	1,528,196	-	1,393,554
Fund balance - December 31	\$ 1,542,999	\$ 1,504,262	\$ (38,737)	\$ 1,528,196

The notes to the basic financial statements are an integral part of this statement.

# Winnefox Library System Oshkosh, Wisconsin

STATEMENT OF NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2019

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	Custodial Fund	
	2020	2019
ASSETS		
Cash and investments	<u>\$ 271,792</u>	<u>\$ 180,678</u>
NET POSITION		
Restricted for LARS	<u>\$ 271,792</u>	<u>\$ 180,678</u>

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

### STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial Fund	
	2020	2019
ADDITIONS		
Deposits	\$ 167,224	\$ 257,357
DEDUCTIONS		
Fund disbursements to member libraries	76,110	76,679
Change in net position	91,114	180,678
Net position - January 1	180,678	-
Net position - December 31	<u>\$ 271,792</u>	<u>\$ 180,678</u>

*The notes to the basic financial statements are an integral part of this statement.*

# Winnefox Library System

## Oshkosh, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Winnefox Library System, Oshkosh, Wisconsin (the System), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the System are described below:

#### A. REPORTING ENTITY

The System was established in 1977. The System, a federation of the public libraries in Green Lake, Marquette, Waushara, Winnebago, and Fond du Lac Counties, is legally deemed a joint agency of the counties. The System is governed by twenty-three member Board of Trustees representing the five counties.

In accordance with GAAP, the basic financial statements are required to include the System (the primary government) and any separate component units that have a significant operational or financial relationship with the System. The System has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The System has no business-type activities.

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

The fund statements provide information about the System's funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows of resources, liabilities, fund balances, revenues and expenditures. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The System reports the following major governmental fund:

#### General Fund

This is the System's primary operating fund. It accounts for all financial resources of the System.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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Additionally, the System reports the following fund type:

#### **Custodial Fund**

The custodial fund accounts for resources deposited by member libraries for future integrated library system upgrades and replacements in accordance with the terms of a consortium agreement with member libraries.

#### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the System gives or receives value, without directly receiving or giving equal value in exchange, include public library systems aid, County aid, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Federal and County aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred.

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

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

#### **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE**

##### **1. Cash and Investments**

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

##### **2. Prepaid Items**

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

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

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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#### 3. Accounts Receivable

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

#### 4. Capital Assets

Capital assets, which include software and equipment, are reported in the government-wide financial statements. Capital assets are defined by the System as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the System are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Automotive	5
Computer equipment	5
Office equipment	5 - 10
Software	10

#### 5. Compensated Absences

**Vacation.** The System's policy allows employees to earn varying amounts of vacation pay based on length of service and other factors which accumulates and vests for the employees when earned and must be used within the following year. Upon retirement or termination of employment, the employee is entitled to payment of earned vacation.

**Sick Leave.** The System's policy allows employees to accumulate varying amounts of sick leave. Accumulated sick leave is paid at 50% upon retirement.

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability is calculated based on the pay or salary rates in effect at year-end.

#### 6. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

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#### 7. Pensions

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

#### 8. Other Postemployment Benefits Other Than Pensions (OPEB)

##### *Local Retiree Life Insurance Fund*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position 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.

#### 9. Fund Equity

##### *Governmental Fund Financial Statements*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the Board of Trustees. These constraints can only be removed or changed by the Board of Trustees using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of System management. The Board of Trustees has not authorized a designated person to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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

#### *Government-Wide Statements*

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

#### **E. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **NOTE 2: STEWARDSHIP AND COMPLIANCE**

#### **A. BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the general fund. The legally adopted budget and budgetary expenditure control is exercised at the function level. All annual appropriations lapse at year-end, except those intended to accumulate funds for future projects. Reported budget amounts are as originally approved and as amended by Board of Trustee resolution, if applicable.

The System did not have any material violation of legal or contractual provision for the fiscal year ended December 31, 2020.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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#### NOTE 3: DETAILED NOTES ON ALL FUNDS

##### A. CASH AND INVESTMENTS

The System maintains various cash and investment accounts, which are displayed in the financial statements as "Cash and Investments". Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the System's cash and investments totaled \$2,808,978 on December 31, 2020 as summarized below:

Deposits with financial institutions	\$ 566,501
Investments	
Wisconsin local government investment pool	<u>2,242,477</u>
	<u>\$ 2,808,978</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 2,537,186
Fiduciary fund statement of net position	
Custodial fund	<u>271,792</u>
	<u>\$ 2,808,978</u>

##### Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The System currently has no investments that are subject to fair value measurement.

Deposits and investments of the System are subject to various risks. Presented below is a discussion of the System's deposits and investments and the related risks.

##### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System does not have an additional custodial credit policy.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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

As of December 31, 2020, none of the System's deposits with financial institutions were in excess of federal and state depository insurance limits.

#### **Investments**

The System has investments in the Wisconsin Local Government Investment Pool of \$2,242,477 at year-end. The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020, the fair value of the System's share of the LGIP's assets was substantially equal to the carrying value.

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. The System does not have an additional credit risk policy. The System's investment in the Wisconsin Local Government Investment Pool is not rated.

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 System 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. The investments held by the Wisconsin Local Government Investment Pool mature in 12 months or less.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

#### B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, depreciable:				
Automotive	\$ 67,283	\$ 26,291	\$ -	\$ 93,574
Computer equipment	127,264	10,891	-	138,155
Office equipment	48,739	-	34,950	13,789
Software	25,405	-	-	25,405
Subtotals	<u>268,691</u>	<u>37,182</u>	<u>34,950</u>	<u>270,923</u>
Less accumulated depreciation for:				
Automotive	60,577	5,267	-	65,844
Computer equipment	103,727	10,277	-	114,004
Office equipment	47,640	-	34,450	13,190
Software	25,265	140	-	25,405
Subtotals	<u>237,209</u>	<u>15,684</u>	<u>34,450</u>	<u>218,443</u>
Governmental activities capital assets, net	<u>\$ 31,482</u>	<u>\$ 21,498</u>	<u>\$ 500</u>	<u>\$ 52,480</u>

Depreciation expense has been allocated to the library services function.

#### C. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the System for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 101,654</u>	<u>\$ 108,987</u>	<u>\$ 78,871</u>	<u>\$ 131,770</u>	<u>\$ 46,271</u>

#### D. LEASES

The System leases office space from the Oshkosh Public Library (the OPL) under a lease agreement that requires annual payments of \$20,899 plus a percentage of OPL's maintenance and utility charges. Winnefox rental payments for 2020 totaled \$28,101.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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#### E. PENSION PLAN

##### 1. Plan Description

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

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

For employees beginning participation on or after January 1, 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.

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 December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

#### 2. Postretirement Adjustments

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

<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	4
2018	2.4	17
2019	0	(10)

#### 3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. 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 year ending December 31, 2020, the WRS recognized \$52,200 in contributions from the System.

Contribution rates for the reporting period are:

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

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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

At December 31, 2020, the System reported an asset of \$154,084 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The System's proportion of the net pension asset was based on the System's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the System's proportion was 0.00477862%, which was a decrease of 0.00000077% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the System recognized pension expense of \$59,371.

At December 31, 2020, the System 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	\$ 292,486	\$ 146,370
Net differences between projected and actual earnings on pension plan investments	-	315,002
Changes in assumptions	12,007	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,397	1,118
Employer contributions subsequent to the measurement date	52,200	-
Total	<u>\$ 359,090</u>	<u>\$ 462,490</u>

\$52,200 reported as deferred outflows related to pension resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2021.

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

Year Ended December 31,	Expense
2021	\$ (45,894)
2022	(34,552)
2023	5,938
2024	(81,092)
Total	<u>\$ (155,600)</u>

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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#### 5. 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:	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
Postretirement adjustments*	1.9%

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

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

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

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Global equities	49%	8.1%	5.1%
Fixed income	24.5%	4.9%	2.1%
Inflation sensitive assets	15.5%	4.0%	1.2%
Real estate	9%	6.3%	3.5%
Private equity/debt	8%	10.6%	7.6%
Multi-asset	4%	6.9%	4.0%
Cash	-10%	0.9%	N/A
Total Core Fund	100%	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 7.0% and a municipal bond rate of 2.75%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.0% 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.

**Sensitivity of the System's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the System's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the System'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:

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
System's proportionate share of the net pension liability (asset)	\$ 396,795	\$ (154,084)	\$ 565,930

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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**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>.

#### 6. Payables to the Pension Plan

At December 31, 2020, the System reported a payable of \$7,968 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2020.

#### F. OTHER POSTEMPLOYMENT BENEFITS

##### Local Retiree Life Insurance Fund

###### *Plan Description*

The LRLIF is a multiple-employer, cost-sharing 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 postemployment life insurance benefits for all eligible employees.

###### *OPEB Plan Fiduciary Net Position*

ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>. Additionally, ETF issued standalone Retiree Life Insurance Financial Report, which can be found at <http://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 postretirement benefit.

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

Contribution rates as of December 31, 2020 are:

Coverage Type	Employer Contribution
50% Postretirement coverage	40% of employee contribution
25% Postretirement coverage	20% of employee contribution

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance Member Contribution Rates For the Year Ended December 31, 2019		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

\* Disabled Members under age 70 receive a waiver-of-premium benefit.

During the reporting period, the LRLIF recognized \$417 in contributions from the employer.

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

At December 31, 2020, the System reported a liability of \$98,432 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The System's proportion of the net OPEB liability was based on the System's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the System's proportion was 0.02311600%, which was a decrease of 0.001306% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the System recognized OPEB expense of \$10,883.

At December 31, 2020, the System 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	\$ -	\$ 4,410
Net differences between projected and actual earnings on OPEB plan investments	1,857	-
Changes in assumptions	36,312	10,827
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,804	3,324
Total	<u>\$ 42,973</u>	<u>\$ 18,561</u>

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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

Year Ended December 31,	Expense
2021	\$ 4,380
2022	4,380
2023	4,180
2024	3,974
2025	3,076
Thereafter	4,422
Total	<u>\$ 24,412</u>

**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, unless otherwise specified:

Actuarial valuation date:	January 1, 2019
Measurement date of net OPEB liability:	December 31, 2019
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	2.74%
Long-term expected rate of return:	4.25%
Discount rate:	2.87%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

**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.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

The long-term expected rate of return decreased slightly from 5.0% in prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

**Single discount rate.** A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive 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 benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**Sensitivity of the System's proportionate share of net OPEB liability to changes in the discount rate.** The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 2.87%, as well as what the System's proportionate share of the net OPEB liability 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:

	<u>1% Decrease to Discount Rate (1.87%)</u>	<u>Current Discount Rate (2.87%)</u>	<u>1% Increase to Discount Rate (3.87%)</u>
System's proportionate share of the net OPEB liability	\$ 135,919	\$ 98,432	\$ 69,913

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### DECEMBER 31, 2020

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#### *Payable to the OPEB Plan*

At December 31, 2020, the System reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2020.

#### **G. FUND EQUITY**

##### **Nonspendable Fund Balance**

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2020, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	<u>\$ 9,551</u>

#### **NOTE 4: OTHER INFORMATION**

##### **A. RISK MANAGEMENT**

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The System completes an annual review of its insurance coverage to ensure adequate coverage. Payment of premiums for these policies are recorded as expenses of the System. Insurance settlements have not exceeded coverage in any of the past three years.

##### **B. CONCENTRATIONS**

The System received approximately 43% of its funding from state aids in 2020, creating an economic dependency between the System and that source.

##### **C. CONTINGENCIES**

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

From time to time, the System is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the System's financial position or results of operations.

#### **NOTE 5: RISKS AND UNCERTAINTIES**

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations and local communities. Specific to the System, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the System is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of August 26, 2021.

## REQUIRED SUPPLEMENTARY INFORMATION

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# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00513019%	\$ (126,012)	\$ 696,457	18.09%	102.74%
12/31/15	0.00517040%	84,018	773,855	10.86%	98.20%
12/31/16	0.00499707%	41,188	700,164	5.88%	99.12%
12/31/17	0.00501566%	(148,920)	725,932	20.51%	102.93%
12/31/18	0.00477939%	170,035	727,715	23.37%	96.45%
12/31/19	0.00477862%	(154,084)	755,275	20.40%	102.96%

### SCHEDULE OF 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 Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 52,622	\$ 52,622	\$ -	\$ 773,855	6.80%
12/31/16	44,974	44,974	-	700,164	6.42%
12/31/17	49,363	49,363	-	725,932	6.80%
12/31/18	48,757	48,757	-	727,715	6.70%
12/31/19	49,470	49,470	-	755,275	6.55%
12/31/20	52,200	52,200	-	773,336	6.75%

See notes to required supplementary information.

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.02331400%	\$ 70,142	\$ 980,420	7.15%	44.81%
12/31/18	0.02442200%	63,017	725,000	8.69%	48.69%
12/31/19	0.02311600%	98,432	659,000	14.94%	37.58%

### SCHEDULE OF CONTRIBUTIONS LOCAL RETIREE LIFE INSURANCE FUND 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
12/31/18	\$ 470	\$ 470	\$ -	\$ 725,000	0.06%
12/31/19	458	458	-	659,000	0.07%
12/31/20	417	417	-	773,336	0.05%

See notes to required supplementary information.

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2020

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#### **A. WISCONSIN RETIREMENT SYSTEM**

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

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

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

#### **B. OTHER POSTEMPLOYMENT BENEFITS**

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

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 above for additional details.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The System is required to present the last ten fiscal years of date; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Trustees  
Winnefox Library System  
Oshkosh, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Winnefox Library System, Oshkosh, Wisconsin, (the System) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the System's financial statements, and have issued our report thereon dated August 26, 2021.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

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 Systems' financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs results as items 2020-001 and 2020-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the System'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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### WINNEFOX LIBRARY SYSTEM'S RESPONSES TO FINDINGS

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

#### PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Sheboygan, Wisconsin

August 26, 2021

## FEDERAL AND STATE AWARDS

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## Independent auditors' report on compliance for the major state program and on internal control over compliance required by the Wisconsin Department of Public Instruction

Board of Trustees  
Winnefox Library System  
Oshkosh, Wisconsin

### REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM

We have audited Winnefox Library System's compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have a direct and material effect on the System's major state programs for the year ended December 31, 2020. The System's major state programs are identified in 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.

#### AUDITORS' RESPONSIBILITY

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

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

#### OPINION ON THE MAJOR STATE PROGRAM

In our opinion, Winnefox Library System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the System's major state program for the year ended December 31, 2020.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the System 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 System's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a significant deficiency.

The System's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### PURPOSE OF THIS REPORT

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin

August 26, 2021

# Winebox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Grantor Agency/ Program Title</u>	<u>Federal CFDA or State Identification Number</u>	<u>Pass-Through Agency</u>
<b>FEDERAL AWARDS</b>		
Institute of Museum and Library Services		
LSTA System Aids Public	45.310	Wisconsin Dept of Public Instruction
LSTA System Aids Public	45.310	Wisconsin Dept of Public Instruction
COVID-19 CARES Grant - LSTA System Aids Public	45.310	Wisconsin Dept of Public Instruction
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		
<b>STATE AWARDS</b>		
Wisconsin Department of Public Instruction		
Public Library Systems Aid - January 1, 2020 to December 31, 2020	255.002	None
Public Library Systems Aid - January 1, 2021 to December 31, 2021	255.002	None
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/20	Total Expenditures	Subrecipient Payments
2020 - 709941 - DPI - Tech - 251	\$ -	\$ 5,692	\$ -	\$ 5,692	\$ -
2021 - 709941 - DPI - Tech - 251	-	2,030	-	2,030	-
2021 - 709941 - DPI - LSTA CARES - 161	-	-	39,522	39,522	-
	<u>\$ -</u>	<u>\$ 7,722</u>	<u>\$ 39,522</u>	<u>\$ 47,244</u>	<u>\$ -</u>
N/A	\$ 708,669	\$ 236,223	\$ -	\$ 944,892	\$ -
N/A	-	708,669	(708,669)	-	-
	<u>\$ 708,669</u>	<u>\$ 944,892</u>	<u>\$ (708,669)</u>	<u>\$ 944,892</u>	<u>\$ -</u>

# Winnefox Library System

## Oshkosh, Wisconsin

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

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#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards for the System are presented in accordance with the requirements of the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction.

The Schedule of Expenditures of Federal and State Awards include all federal and state awards of the System. Because the schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position, or cash flows of the System.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures reported on the Schedule are reported on the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the System's 2020 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the System in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded System expenditures. Because of subsequent program adjustments, these amounts may differ from prior year's ending balances.

#### **NOTE 3: OVERSIGHT AGENCY**

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

#### **NOTE 4: INDIRECT COSTS**

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

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

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#### SECTION I – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

##### BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	Yes
▶ Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

##### STATE AWARDS

Internal control over state programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state program with required procedures	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	No
Identification of major state program:	

<u>State ID Number</u>	<u>Name of State Program</u>
255.002	Public Library Systems Aid

Audit threshold used to determine between Type A and B programs:	
State Awards	\$250,000
Auditee qualified as low-risk auditee	No

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2020-001	<b>Segregation of Duties</b> Repeat of Finding 2019-001
Type of finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	When performing audit procedures, it was noted that the System has not adequately segregated duties. The System has a limited number of employees and one position is essentially responsible for completing all financial and recordkeeping duties of the library system. Accordingly, this does not allow for proper segregation of duties for internal control purposes.
Context:	While performing audit procedures, it was noted that the System does not have adequate segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and size of the System's operations. In addition, the System has not conducted a risk assessment and analysis of its internal controls to identify compensating controls and other potential opportunities to enhance its control structure.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the board continue to monitor the transactions and the financial records of the System. We further recommend the System complete a risk assessment and analysis of its internal controls to identify opportunities to strengthen and enhance controls over financial reporting.
Views of responsible officials:	There is no disagreement with the audit finding. Please refer to the management response in the System's corrective action plan.

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINDING NO.	CONTROL DEFICIENCIES
2020-002	<p><b>Preparation of Annual Financial Report</b></p> <p>Repeat of Finding 2019-002</p>
Type of finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	Current System staff maintain accounting records which reflect the System's financial transactions; however, preparing the System's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The System contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect, and correct a potential omission or misstatement in the financial statements or notes.
Cause:	System management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweighs the derived benefits.
Effect:	The System may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend that management and the board continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the System is necessary to obtain a complete and adequate understanding of the System's annual financial report.
Views of responsible officials and planned corrective actions:	Refer to the management response per the corrective action plan.

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINDING NO.	CONTROL DEFICIENCIES
2020-003	<b>Adjustments to the System's Financial Records</b>
Type of finding:	Material weakness in Internal Control over Financial Reporting
Condition:	As part of our 2020 audit, we proposed adjusting journal entries that were material to the System's financial statement.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year-end closing procedures.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While the System maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the System may contain material misstatements.
Recommendation:	We recommend the System designate an individual to review and approve the proposed adjusting and closing entries. We are available to assist the individual in understanding preparation of these entries.
Views of responsible officials and planned corrective actions:	Refer to the management response per the corrective action plan.

# Winnefox Library System

## Oshkosh, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

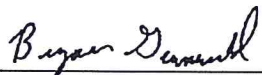
FINDING NO.	CONTROL DEFICIENCIES
2020-004	<p><b>Segregation of Duties - State Grant Management</b></p> <p><i>State IDs - All</i></p> <p>Federal Agency: N/A</p> <p>Federal program title: N/A</p> <p>CFDA Number: N/A</p> <p>Pass-Through Agency: N/A</p> <p>Pass-Through Numbers: N/A</p> <p>Award Period: January 1, 2020 – December 31, 2020</p>
Type of Finding:	Significant Deficiency in Internal Control over Compliance
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Condition:	The System has a limited number of employees and one position is essentially responsible for completing all financial and recordkeeping duties of the library system. Accordingly, this does not allow for proper segregation of duties for internal control purposes.
Questioned costs:	None
Context:	The System has limited employees and does not have adequate segregation of duties over the grant management process.
Cause:	The lack of segregation of duties is due to the limited number of employees and size of the System's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Repeat Finding:	Repeat of Finding 2019-003
Recommendation:	We recommend the board continue to monitor the transactions and the financial records of the System. We further recommend that the System continue to evaluate its internal control environment to identify opportunities to strengthen and enhance controls over financial reporting.
Views of responsible officials:	There is no disagreement with the audit finding. Please refer to the management response in the System's corrective action plan.

# Winnefox Library System Oshkosh, Wisconsin

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### SECTION IV - OTHER ISSUES

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No
2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the *Wisconsin Public School District Manual*:  
Department of Public Instruction Yes
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes
4. Name and signature of partner   
Bryan Grunewald, CPA
5. Date of report August 26, 2021