

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE
LAKELAND UNION HIGH SCHOOL DISTRICT)
MINOCQUA, WISCONSIN**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	3
STATEMENT OF ACTIVITIES	4
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND RESPONSES	15



INDEPENDENT AUDITORS' REPORT

Board of Education and Board of Directors
Lakeland STAR Academy
Lakeland Union High School District
Minocqua, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lakeland STAR Academy (the School), an instrumentality of the Lakeland Union High School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and the changes in financial position of that portion of the governmental activities and the major fund of the District that is attributable to the transactions of the School. They do not purport to, and do not present fairly the financial position of the Lakeland Union High School District as of June 30, 2021 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the School’s internal control over financial reporting and 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 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 School’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Wausau, Wisconsin
January 28, 2022

BASIC FINANCIAL STATEMENTS

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Grants Receivable	\$ 23,113
 LIABILITIES	
Due to Lakeland Union High School District	23,113
 NET POSITION	
Unrestricted	\$ -

See accompanying Notes to Basic Financial Statements.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular Instruction	\$ 69,033	\$ -	\$ -	\$ (69,033)
Vocational Instruction	863	-	-	(863)
Special Education Instruction	546,293	145,000	625,793	224,500
Other Instruction	5,118	-	-	(5,118)
Total Instruction	<u>621,307</u>	<u>145,000</u>	<u>625,793</u>	<u>149,486</u>
Support Services				
Pupil Services	225,594	-	-	(225,594)
Instructional Staff Services	157,035	-	-	(157,035)
General Administration Services	5,775	-	-	(5,775)
Operations and Maintenance of Plant	57,271	-	-	(57,271)
Pupil Transportation Services	23,332	-	-	(23,332)
Central Services	12,645	-	-	(12,645)
Total Support Services	<u>481,652</u>	<u>-</u>	<u>-</u>	<u>(481,652)</u>
 Total Governmental Activities	 <u>\$ 1,102,959</u>	 <u>\$ 145,000</u>	 <u>\$ 625,793</u>	 <u>(332,166)</u>
GENERAL REVENUES				
District Aids Not Restricted to Specific Functions				<u>332,166</u>
CHANGE IN NET POSITION				-
Net Position - Beginning of Year				<u>-</u>
NET POSITION - END OF YEAR				<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	<u>General Fund</u>
ASSETS	
Grants Receivable	\$ 23,113
Total Assets	<u>\$ 23,113</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Lakeland Union High School District	<u>\$ 23,113</u>
FUND BALANCES	
Unassigned	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 23,113</u>

See accompanying Notes to Basic Financial Statements.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES	
District Subsidy	\$ 332,166
Other Local Sources	292,890
Interdistrict Sources	145,000
Intermediate Sources	66,655
State Sources	225,445
Federal Sources	40,803
Total Revenues	1,102,959
EXPENDITURES	
Instruction:	
Regular Instruction	69,033
Vocational Instruction	863
Special Education Instruction	546,293
Other Instruction	5,118
Total Instruction	621,307
Support Services:	
Pupil Services	225,594
Instructional Staff Services	157,035
General Administration Services	5,775
Operations and Maintenance of Plant	57,271
Pupil Transportation Services	23,332
Central Services	12,645
Total Support Services	481,652
Total Expenditures	1,102,959
NET CHANGE IN FUND BALANCES	-
Fund Balances - Beginning of Year	-
FUND BALANCES - END OF YEAR	\$ -

See accompanying Notes to Basic Financial Statements.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Lakeland STAR Academy (the "School") is a charter school established in accordance with Wisconsin Statute 118.40 and organized as an instrumentality of the Lakeland Union High School District (the "District"). The Board of Education of the District has delegated the authority to operate and manage the School to the Board of Directors of Lakeland STAR Charter Schools Corporation. The Lakeland Union High School District controls the School's assets, provides administrative services to the School, and employs and oversees School personnel. Because the School is not legally separate from the District and its revenues and expenditures are recorded within the District's basic financial statements the School is considered a department of the District. The School's management has elected to include only the activities of the School in this report.

B. School-Wide and Fund Financial Statements

The school-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 School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by taxes and intergovernmental revenues.

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.

Separate financial statements are provided for governmental funds. Governmental funds include the general fund.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. School-Wide and Fund Financial Statements (Continued)

The School reports the following major governmental fund:

General Fund

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

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 School 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, expenditures related to compensated absences and claims and judgments, are recorded by the School when expected to be paid from the School's financial resources, and only when payment is due.

Tuition, grants, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District on behalf of the School.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements that relate to the School.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash deposits consist of demand and time deposits with financial institutions to which the School is entitled from the District's cash pool from unspent donations and grant funds received in advance. The School had no cash or cash equivalents at June 30, 2021.

Interfund Payables

During the course of operations the School incurs expenditures which are paid for out of the District's cash pool shared among the District's different funds and activities. The Schools operations are funded primarily from the District's general-purpose revenues so the District subsidy normally decreases the amount due to the District's cash pool as expenditures are incurred. The remaining amount due to the District represents the amount the School owes to the cash pool from grant funds receivable.

Capital Assets

Capital assets, which include property, plant, and equipment, and acquired with federal or state funds are reported in the school-wide financial statements. Capital assets are defined by the School according to District policy as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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.

There were no assets meeting the School's definition of capital assets and purchased with federal or state funds that belonged to the School as of June 30, 2021.

Compensated Absences

All personnel working for the School are employees of the District. The District's policy provides employees with ten sick leave days per year. These days are noncumulative. A sick leave bank is grandfathered for participating employees employed by the District prior to July 1, 2012. Upon retirement or termination of employment, certain teachers and staff are entitled to the unused portion of the sick leave bank which is used to pay their group health insurance until the vested amount is exhausted. The District's employees are also granted vacation in varying amounts based on length of service. All vacation and sick leave is accrued when incurred in the district-wide financial statements and paid for from the District's financial resources not specific to the School.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

Fund Equity

1. Governmental Fund Financial Statements

Fund balance of the governmental fund 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. There is no nonspendable fund balance in the current year.

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. There is no restricted fund balance in the current year.

Committed Fund Balance: Amounts that are constrained for specific purposes by action of the School's governing body. These constraints can only be removed or changed by the School's governing body using the same action that was used to create them. There is no committed fund balance in the current year.

Assigned Fund Balance: Amounts that are constrained for specific purposes by action of District management. The School's governing body has authorized the District's Assistant Superintendent of Business and Financial Services to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned. There is no assigned fund balance in the current year.

Unassigned Fund Balance: Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The School has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

Fund Equity (Continued)

2. 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. The School does not have any net investment in capital assets.

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. The School does not have any restricted net position.

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 GOVERNMENT GRANTS AND STATE AID

The School receives a significant portion of its funding in the form of government grants from state agencies, the U.S. Department of Education and the U.S. Department of Health and Human Services.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 RISK MANAGEMENT

The School 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 District completes an annual review of its insurance coverage to ensure adequate coverage including the School. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

The School and the District as a whole participate 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 District'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 District expects such amounts, if any, to be immaterial.



**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 Education and Board of Directors
Lakeland STAR Academy
Lakeland Union High School District
Minocqua, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Lakeland STAR Academy (the School), an instrumentality of the Lakeland Union High School District, Minocqua, Wisconsin (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 summary of audit results, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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 responses as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

Lakeland Union High School District's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Wausau, Wisconsin
January 28, 2022

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

Section I – Internal Control Over Financial Reporting

2021 – 001 Segregation of Duties

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The District has the Director of Business Services and one finance assistant position to essentially complete all financial and recordkeeping duties of the general District's operations including all financial activity of the school. The finance assistant receipts and makes deposits. The finance assistant also enters vendors into the software, processes purchase orders and runs the disbursement checks. The Director of Business Services can enter vendors into the software, approves the purchase orders for maintenance and administrative personnel and is also responsible for general ledger maintenance and general accounting functions such as journal entries and bank reconciliations. The finance assistant position handles all payroll related transactions from setting up new employees and entering wage rates to processing time cards each pay period to preparing the direct deposit transfer for each pay period. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

Criteria or specific requirement: 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.

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.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of the District's operations. In addition, the District has not completed a formal risk assessment and review of internal controls to identify additional mitigating and compensating controls which could be implemented to reduce the risk of errors or intentional fraud.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2020-001.

Recommendation: We recommend the District perform a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud. The District should review its disbursement process to ensure that there is adequate segregation of duties in regards to initializing, authorizing and approving purchases, along with adding controls to ensure that the item purchases were received by the District. The District should review its payroll process and identify payroll tasks that could be reassigned to other District personnel. We recommend the District Board of Education continue to monitor the transactions and the financial records of the District and School.

**LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2021**

Section I – Internal Control Over Financial Reporting (Continued)

2021 – 001 Segregation of Duties (Continued)

Management Response: There is no disagreement with the audit finding.

A risk assessment was performed by District staff in July 2020 consisting of:

- 1) Verification of all staff personnel pay rates.
- 2) Audit of 10% of the District's July 2020 accounts payable checks, to ensure proper documentation.
- 3) Review of 2019/20 Federal and State grant claims to ensure accuracy and documentation

Alternative controls were developed to offset improper segregation of duties due to limited staffing levels:

- 1) Reconcile cash receipts log to daily deposits.
- 2) Quarterly verify payroll system pay rates for 25% of District full-time staff.
- 3) Continue to audit accounts payable checks to ensure proper documentation.

2021 – 002 Preparation of Annual Financial Report

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Current District staff maintain accounting records which reflect the District's and School's financial transactions including the financial transactions of the School; however, preparing the District's annual financial reports, including note disclosures, involves the selection and application of specific accounting principles which requires experience, knowledge and a significant time commitment by District staff. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.

Criteria: The preparation and review of the annual financial reports 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: District management has determined that the costs of hiring additional staff to prepare the annual financial report outweigh the derived benefits.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2020-002.

LAKELAND STAR ACADEMY (AN INSTRUMENTALITY OF THE LAKELAND UNION HIGH
SCHOOL DISTRICT)
MINOCQUA, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2021

Section I – Internal Control Over Financial Reporting (Continued)

2021 – 002 Preparation of Annual Financial Report (Continued)

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

Management Response: There is no disagreement with the audit finding.

The District will continue to review information provided by the auditor. At this time, the District believes the most efficient allocation of resources is to continue to have the audit firm prepare the annual financial report in concert with district personnel to prevent material misrepresentation of financial information.