



**JOHNSON BLOCK**  
CPAs



**SCHOOL DISTRICT OF MCFARLAND**  
**FINANCIAL STATEMENTS**  
Including Independent Auditor's Report  
As of and for the Year Ended June 30, 2022

Johnson Block and Company, Inc.  
Certified Public Accountants  
2500 Business Park Road  
Mineral Point, WI 53565  
(608) 987-2206

School District of McFarland  
June 30, 2022  
Table of Contents

---

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Basic Financial Statements	
District-Wide Financial Statements:	
Exhibit A-1    Statement of Net Position .....	11
Exhibit A-2    Statement of Activities.....	13
Fund Financial Statements:	
Exhibit A-3    Balance Sheet – Governmental Funds.....	14
Exhibit A-4    Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position .....	15
Exhibit A-5    Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	16
Exhibit A-6    Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities.....	17
Notes to the Financial Statements.....	18
Required Supplementary Information:	
Exhibit B-1    Budgetary Comparison Schedule for the General Fund .....	50
Exhibit B-2    Budgetary Comparison Schedule for the Special Education Fund.....	51
Exhibit B-3    Schedule of Changes in the District’s Total OPEB Liability and Related Ratios...	52
Exhibit B-4    Wisconsin Retirement System Schedules .....	53
Exhibit B-5    Local Retiree Life Insurance Fund Schedule .....	54
Notes to the Required Supplementary Information .....	55

School District of McFarland  
June 30, 2022  
Table of Contents (Continued)

---

Supplementary Information:

Exhibit C-1	Combining Balance Sheet – Non-major Governmental Funds .....	61
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	62
Exhibit C-3	Schedule of Charter School Authorizer Operating Costs .....	63
Exhibit C-4	Schedule of Expenditures of Federal Awards .....	64
Exhibit C-5	Schedule of Expenditures of State Awards .....	65
	Notes to the Schedule of Expenditures of Federal and State Awards .....	66
	Independent Auditor’s Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	67
	Independent Auditor’s Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by The Uniform Guidance and The State Single Audit Guidelines .....	69
	Schedule of Findings and Questioned Costs .....	72
	Schedule of Prior Year Findings and Questioned Costs .....	75



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
School District of McFarland  
McFarland, Wisconsin

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of McFarland as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of McFarland as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective July 1, 2021, the School District of McFarland adopted provisions of GASB Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the District's total OPEB liability and related ratios, the Wisconsin Retirement System schedules, and local retiree life insurance fund schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financials statements that collectively comprise of the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of charter school authorizer operating costs, and schedules of expenditures of federal and state awards, as required by Title 2 *U.S Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Guidelines are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of charter school authorizer operating costs, and schedules of expenditures of federal and state awards are 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 November 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
November 17, 2022

## MANAGEMENT DISCUSSION & ANALYSIS

**SCHOOL DISTRICT OF MCFARLAND**  
McFarland, Wisconsin  
Management Discussion & Analysis, June 30, 2022

To the Board of Education:

The discussion and analysis of the School District of McFarland financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the district's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Total governmental funds' revenue was \$72,827,994; including \$19,804,985 in local revenue, \$17,670,369 of state aid, \$3,633,034 of federal aid, \$31,628,711 of Inter-district payments, \$8,657 of Intermediate payments and \$82,238 of other services. Total governmental fund expenditures were \$71,589,231; including \$21,464,297 for direct instruction.

The following financial events took place during fiscal year (FY) 2022:

- The district engaged Baird Financial Group to help develop long-range budget projections.
- The district had continued successful professional and support staff employee relationships.
- The district continued with its capital project plans.
- The district charters a non-instrumentality school that provides financial support for the district and more student access to various education models.
- The district had a balanced budget even though the State of Wisconsin provided no inflationary adjustments to the State imposed Revenue Cap Formula for FY 2022.
- The district had slight enrollment growth between FY 2021 and FY 2022

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

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

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the district's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the district. Fund statements generally report operations in more detail than the District-wide statements.

The *notes to the basic financial statements* provide further explanation of some of the information in the statements and provide additional disclosures, so statement users have a complete picture of the district's financial activities and position.

*Required supplementary information* further explains and supports the financial statements by including a comparison of the district's budget data for the year and providing supplemental information on the District's OPEB, net pension asset or liability, and local retiree life insurance.



**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2022

The major features of the district’s financial statements, including the activities reported and the type of information contained, are shown in the following table.

**Major Features of the District-wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the district that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service, and community services.	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position.</li> <li>• Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet.</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position.</li> <li>• Statement of Changes in Fiduciary Net Position.</li> </ul>
Basis of accounting and measurement focus	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.
Type of asset, deferred outflow of resources, and liability information	All assets, deferred outflows of resources, and liabilities; both financial and capital, short-term and long-term.	Generally, assets expected to be used up, deferred outflows of resources representing a consumption of net position that applies to a future period, and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received, and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

**SCHOOL DISTRICT OF MCFARLAND**  
McFarland, Wisconsin  
Management Discussion & Analysis, June 30, 2022

**DISTRICT-WIDE STATEMENTS**

The District-Wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the district. The Statement of Net Position reports all assets and liabilities available to support District activities. The two district-wide statements report the district's *net position* and how they have changed. Net position, the difference between the district's assets and liabilities, is one way to measure the district's overall financial position. Increases or decreases in the district's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the district, additional non-financial factors, such as changes in the district's property tax base and the condition of school buildings and other facilities, should be considered.

In the district-wide financial statements, the district's activities are divided into two categories:

- *Governmental activities* – Most of the district's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The district had no business-type activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the district's *funds*, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The district establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The district may have two kinds of funds:

- *Governmental funds* – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Governmental fund information does not report on long-term commitments as is reported on the District-Wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the district. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the district cannot use these assets to finance its operations. The District had no fiduciary funds in FY22.

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2022

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1 below provides a summary of the district's net position (in thousands of dollars).

	<u>2021</u>	<u>2022</u>	<u>\$ chg</u>
Current and other assets	\$ 14,967	\$ 16,039	\$ 1,072
Capital assets, right to use leased assets, and net pension asset	92,791	92,299	(492)
Deferred outflows of resources	12,142	17,853	5,711
<b>Total Assets and Deferred Outflows of Resources</b>	<u>119,900</u>	<u>126,191</u>	<u>6,291</u>
Current and other liabilities	4,315	4,321	6
Other long-term obligations	66,040	63,442	(2,598)
Deferred inflows of resources	16,391	22,041	5,650
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>86,746</u>	<u>89,804</u>	<u>3,058</u>
Net position:			
Net investment in capital assets	24,977	24,559	(418)
Restricted	4,046	6,904	2,858
Unrestricted	4,131	4,924	793
<b>Total Net Position</b>	<u>\$ 33,154</u>	<u>\$ 36,387</u>	<u>\$ 3,233</u>

Table 2 provides summarized operating results and their impact on net position (in thousands of dollars).

	<u>2021</u>	<u>2022</u>	<u>\$ Chg</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 37,149	\$ 32,538	\$ (4,611)
Operating grants & contributions	4,348	6,820	2,472
General Revenues			
Property taxes	18,069	18,321	252
State formula aid	14,716	14,998	282
Other	245	280	35
<b>Total Revenues</b>	<u>74,527</u>	<u>72,957</u>	<u>(1,570)</u>
<b>Expenses</b>			
Instruction	18,285	19,947	1,662
Pupil & Instructional Services	3,156	3,634	478
General Administration Services	540	669	129
Building Administration Services	1,685	1,801	116
Business Administration	4,849	5,088	239
Central Services	67	58	(9)
Insurance	293	273	(20)
Other Support Services	894	1,136	242
Food Services	783	655	(128)
Community Services	482	587	105
Interest and Amortization	2,123	2,101	(22)
Purchased Instruction	34,840	2,829	(32,011)
Other Non-Program Transactions	401	30,341	29,940
Other	2,801	605	(2,196)
<b>Total Expenses</b>	<u>71,199</u>	<u>69,724</u>	<u>(1,475)</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 3,328</u>	<u>\$ 3,233</u>	<u>\$ (95)</u>

Note: totals may not add due to rounding.

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2022

Table 3 presents the cost of the twelve major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the district's taxpayers by each of these functions (in thousands of dollars).

	Total Cost of Services		Less Charges For Services		Less Operating Grants & Contr.		Net Cost of Services	
	2021	2022	2021	2022	2021	2022	2021	2022
<b>Expenses</b>								
Instruction	\$ 18,285	\$ 19,947	\$ 1,968	\$ 1,846	\$ 2,889	\$ 4,108	\$ 13,428	\$ 13,993
Pupil & Instructional Services	3,156	3,635		1	523	734	2,633	2,900
General Administration Services	540	669					540	669
Building Administration Services	1,685	1,801					1,685	1,801
Business Administration	4,849	5,088			104	127	4,745	4,961
Central Services	67	58					67	58
Insurance	293	273			31	31	262	242
Food Service	894	1,136	9	186	706	1,348	179	(398)
Other Support Services	783	655				15	783	640
Other	5,406	5,516	179	290	2	1	5,225	5,225
Purchased Instructional Services	34,840	30,341	34,594	29,626	92	450	154	265
Other Non-Program Transactions	401	605	399	589	2	6		10
<b>TOTAL EXPENSES</b>	<b>\$ 71,199</b>	<b>\$ 69,724</b>	<b>\$ 37,149</b>	<b>\$ 32,538</b>	<b>\$ 4,349</b>	<b>\$ 6,820</b>	<b>\$ 29,701</b>	<b>\$ 30,366</b>

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$69.7 million. Individuals who directly participated or benefited from a program offering paid for \$32.5 million of costs. Federal and state governments subsidized certain programs with grants and contributions of \$6.8 million. The net cost of governmental activities of \$30.3 million, with a \$666,000 increase over the previous year.

The composition of governmental revenues by source is illustrated below:

<b>Governmental Revenue by Source</b>			
	2021	2022	\$ Chg
<b>Local</b>	\$ 18,719,951	\$ 19,804,985	\$ 1,085,034
<b>Interdistrict</b>	36,746,001	31,628,711	(5,117,290)
<b>Intermediate</b>	13,590	8,657	(4,933)
<b>State</b>	17,056,791	17,670,369	613,578
<b>Federal</b>	1,790,620	3,633,034	1,842,414
<b>Other</b>	241,301	82,238	(159,063)
<b>Total Revenue</b>	<b>\$ 74,568,254</b>	<b>\$ 72,827,994</b>	<b>\$ (1,740,260)</b>

The composition of governmental expenditures by type is illustrated below:

<b>Governmental Expense by Type</b>			
	2021	2022	\$ Chg
<b>Instruction</b>	\$ 19,808,678	\$ 21,464,297	\$ 1,655,619
<b>Support Services</b>	18,363,725	19,178,735	815,010
<b>Non-Program Transactions</b>	35,241,030	30,946,199	(4,294,831)
<b>Total Expenses</b>	<b>\$ 73,413,433</b>	<b>\$ 71,589,231</b>	<b>\$ (1,824,202)</b>

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2022

**FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The district completed the year with a total governmental fund balance of \$15,108,060 compared to last year's ending fund balance of \$13,800,904.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The district adopts a budget annually and notifies the district residents of the upcoming Annual Meeting which is held in October, for fiscal year beginning July 1<sup>st</sup>. Consistent with current state statutes and regulations, a *revised* budget is adopted after the Annual Meeting if changes are needed. Generally, the original budget, which was passed in October at the Annual Meeting, is not significantly modified. The district modified its original budget in 2021-22 to reflect:

- Modifications in state aid and revenue cap adjustments
- Modifications in expenditures related to special education staff
- Grants

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2022, the district had invested almost \$123.3 million in capital assets, including buildings, sites, and equipment (see Table 4 below). Total accumulated depreciation on these assets was \$40.1 million. Asset acquisitions for governmental activities totaled \$1,509,228. The district recognized depreciation total change of -3.1%. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

	Activities		Change 21-22
	2021	2022	
<b>Land</b>	\$ 2,109	\$ 2,109	0.0%
<b>Buildings and Improvements</b>	105,754	106,174	0.4%
<b>Furniture and Equipment</b>	14,327	15,069	5.2%
<b>Accumulated Depreciation</b>	(36,288)	(40,096)	10.5%
<b>Total</b>	\$ 85,902	\$ 83,256	-3.1%

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2022

**Long-term Debt**

At year-end, the district had \$66.8 million in notes payable and other long-term debt outstanding – a decrease of \$2.3 million from fiscal year 2021. This decrease resulted from required repayments of principal. (Detailed information about the district’s long-term liabilities is presented in note 5 to the financial statements.)

**Table 5**  
**Outstanding Long-term Obligations**  
**(in thousands of dollars)**

	Total School District		Total Change	Total % Change
	2021	2022	21-22	21-22
General Obligation Debt	\$ 59,255	\$ 57,120	\$ 2,135	-3.6%
Lease Liability	237	187	50	-21.1%
Accrued interest on long-term debt	509	488	21	-4.1%
Bond Premium	1,671	1,558	113	-6.8%
Other post-retirement benefits	6,000	6,064	(64)	1.1%
Compensated Absences	1,516	1,415	101	-6.7%
<b>TOTAL</b>	<b>\$ 69,188</b>	<b>\$ 66,832</b>	<b>\$ 2,356</b>	<b>-3.4%</b>

Stipends and Compensated Absence payments to current and former employees are separated for comparison.

The General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

Currently, known circumstances that will impact the district’s financial status in the future are:

- The district expects to have increased resident enrollment over the next few years.
- The number of students entering the district through open enrollment will decrease as resident enrollment increases.
- District revenue will not keep pace with expenses due to state-imposed revenue caps that have no inflationary adjustments for FY 22 and FY 23.
- FY 22 and FY 23 expenditure growth will be offset by ESSER funds.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district’s finances and to demonstrate the district’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Mahoney, Business Manager, School District of McFarland, (608) 838-3169, School District of McFarland, 5101 Farwell, McFarland, WI 53558.

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
School District of McFarland, Wisconsin  
Statement of Net Position  
June 30, 2022

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 10,535,042
Taxes receivable	4,225,353
Prepaid expenses	238,038
Due from other governmental units	976,502
Other receivables	59,891
Inventory	3,736
Total current assets	16,038,562
Noncurrent assets:	
Capital assets:	
Property and equipment	123,352,003
Less: accumulated depreciation	(40,095,816)
Net book value of capital assets	83,256,187
Right to use leased assets	
Net accumulated amortization of \$62,808	167,528
Restricted assets:	
Net pension asset	8,875,198
Total non-current assets	92,298,913
Total assets	108,337,475
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension outflows	16,722,552
OPEB - District health insurance plan outflows	604,827
OPEB - group life insurance plan outflows	525,872
Total deferred outflows of resources	17,853,251
Total assets and deferred outflows of resources	\$ 126,190,726



Exhibit A-1 (Continued)  
School District of McFarland, Wisconsin  
Statement of Net Position  
June 30, 2022

	Governmental Activities
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 358,461
Accrued employee benefits payable	478,784
Accrued interest payable	488,036
Current portion of long-term obligations	2,902,194
Customer deposits	93,257
Total current liabilities	4,320,732
Noncurrent liabilities:	
Bonds and notes payable, plus unamortized debt premiums of \$1,557,859	58,677,859
Lease liability	186,954
Compensated absences	1,414,953
OPEB - District health insurance plan	4,534,840
OPEB - group life insurance plan	1,529,710
Less: current portion	(2,902,194)
Total noncurrent liabilities	63,442,122
Total liabilities	67,762,854
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension inflows	20,891,394
OPEB - District health insurance plan inflows	997,333
OPEB - group life insurance plan inflows	151,962
Total deferred inflows of resources	22,040,689
<b>NET POSITION</b>	
Net investment in capital assets	24,558,902
Restricted for:	
Food service	481,298
Get kids ahead initiative	32,932
Debt service	612,088
Community service	203,407
Capital projects	431,308
Special revenue fund	436,626
Net pension asset	4,706,356
Unrestricted	4,924,266
Total net position	36,387,183
Total liabilities, deferred inflows of resources and net position	\$ 126,190,726

Exhibit A-2  
School District of McFarland, Wisconsin  
Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction:					
Regular instruction	\$ 12,129,696	\$ 1,547,966	\$ 607,639	\$ 5,142	\$ (9,968,949)
Vocational education	971,053	21,470	26,932		(922,651)
Special education	4,680,800	48,068	3,070,345		(1,562,387)
Other instruction	2,165,140	228,241	397,581		(1,539,318)
Total instruction	<u>19,946,689</u>	<u>1,845,745</u>	<u>4,102,497</u>	<u>5,142</u>	<u>(13,993,305)</u>
Support services:					
Pupil services	1,738,452		197,690		(1,540,762)
Instructional staff services	1,896,141	625	536,572		(1,358,944)
General administration services	668,614				(668,614)
Building administration services	1,800,996	175			(1,800,821)
Business administration	5,087,664		66,718	60,014	(4,960,932)
Central services	58,059				(58,059)
Insurance	273,454		31,000		(242,454)
Food service	1,135,936	186,560	1,347,579		398,203
Other support services	655,210		15,130		(640,080)
Community services	586,557	290,642	1,005		(294,910)
Interest expense and fiscal charges	2,038,078				(2,038,078)
Amortization expense	62,808				(62,808)
Depreciation - unallocated	2,829,034				(2,829,034)
Total support services	<u>18,831,003</u>	<u>478,002</u>	<u>2,195,694</u>	<u>60,014</u>	<u>(16,097,293)</u>
Non-program transactions:					
Purchased instructional services	30,341,418	29,625,747	449,730		(265,941)
Post-secondary scholarships	6,997		6,997		
Other non-program transactions	597,784	588,716			(9,068)
Total non-program transactions	<u>30,946,199</u>	<u>30,214,463</u>	<u>456,727</u>		<u>(275,009)</u>
Total governmental activities	<u>69,723,891</u>	<u>32,538,210</u>	<u>6,754,918</u>	<u>65,156</u>	<u>(30,365,607)</u>
General revenues:					
Property taxes					
General purposes					13,513,239
Debt services					4,128,169
Capital projects					249,000
Community services					430,365
Other taxes					3,479
Federal and State aid not restricted for specific purposes					
General					14,998,070
Interest and investment earnings					183,697
Gain (loss) on sale of fixed assets					10,550
Miscellaneous					82,235
Total general revenues					<u>33,598,804</u>
Changes in net position					
Net position - beginning					
Net position - ending					
<u>\$ 36,387,183</u>					

Exhibit A-3  
School District of McFarland, Wisconsin  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 7,795,229	\$ 2,739,813	\$ 10,535,042
Taxes receivable	4,225,353		4,225,353
Prepaid expenses	187,043	50,995	238,038
Accounts receivable	56,557	3,334	59,891
Due from other governments	949,035	27,467	976,502
Due from other funds	27,267		27,267
Inventory		3,736	3,736
Total assets	\$ 13,240,484	\$ 2,825,345	\$ 16,065,829
<b>LIABILITIES</b>			
Accounts payable	\$ 304,065	\$ 54,396	\$ 358,461
Accrued employee benefits payable	408,082		408,082
Accrued salaries and wages	67,758	2,944	70,702
Due to other funds		27,267	27,267
Customer deposits	5,282	87,975	93,257
Total liabilities	785,187	172,582	957,769
<b>FUND BALANCES</b>			
Nonspendable	187,043	54,731	241,774
Restricted	32,932	2,598,032	2,630,964
Assigned	463,682		463,682
Unassigned	11,771,640		11,771,640
Total fund balances	12,455,297	2,652,763	15,108,060
Total liabilities and fund balances	\$ 13,240,484	\$ 2,825,345	\$ 16,065,829

Exhibit A-4  
School District of McFarland, Wisconsin  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
June 30, 2022

Total fund balances - governmental funds: \$ 15,108,060

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

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

Governmental capital assets	123,352,003	
Governmental accumulated depreciation	<u>(40,095,816)</u>	83,256,187

Right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Right to use leased assets, net accumulated amortization of \$62,808		167,528
--	--	---------

The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements.

8,875,198

Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the plans. These items are reflected in the statement of net position and are being amortized with pension and OPEB expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.

Deferred outflows of resources		17,853,251
Deferred inflows of resources		<u>(22,040,689)</u>

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

Bonds and notes payable	57,120,000	
Debt premiums	1,557,859	
Lease liability	186,954	
Accrued interest on long-term debt	488,036	
Compensated absences	1,414,953	
OPEB - District health insurance plan	4,534,840	
OPEB - group life insurance plan	<u>1,529,710</u>	<u>(66,832,352)</u>

Total net position - governmental activities \$ 36,387,183

Exhibit A-5  
School District of McFarland, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 13,516,718	\$ 4,807,534	\$ 18,324,252
Other local sources	499,298	981,435	1,480,733
Interdistrict sources	31,609,626	19,085	31,628,711
Intermediate sources	475	8,182	8,657
State sources	17,634,631	35,738	17,670,369
Federal sources	2,321,193	1,311,841	3,633,034
Other sources	79,521	2,717	82,238
<b>Total revenues</b>	<b>65,661,462</b>	<b>7,166,532</b>	<b>72,827,994</b>
<b>EXPENDITURES</b>			
Instruction:			
Regular instruction	13,048,153	31,959	13,080,112
Vocational instruction	1,018,792	20,935	1,039,727
Special instruction	5,054,436		5,054,436
Other instruction	1,922,726	367,296	2,290,022
<b>Total instruction</b>	<b>21,044,107</b>	<b>420,190</b>	<b>21,464,297</b>
Support services:			
Pupil services	1,845,737	4,867	1,850,604
Instructional staff services	2,000,752	3,747	2,004,499
General administration services	678,016		678,016
Building administration services	2,008,508	42,695	2,051,203
Business administration	5,434,076	57,536	5,491,612
Central services	57,742	325	58,067
Insurance	273,454		273,454
Food service		1,137,896	1,137,896
Community service		562,932	562,932
Principal and interest	93,092	4,169,194	4,262,286
Other support services	808,166		808,166
<b>Total support services</b>	<b>13,199,543</b>	<b>5,979,192</b>	<b>19,178,735</b>
Non-program transactions:			
Purchased instructional services	30,341,418		30,341,418
Post-secondary scholarships		6,997	6,997
Other non-program transactions	597,784		597,784
<b>Total non-program transactions</b>	<b>30,939,202</b>	<b>6,997</b>	<b>30,946,199</b>
<b>Total expenditures</b>	<b>65,182,852</b>	<b>6,406,379</b>	<b>71,589,231</b>
Excess (deficiency) of revenues over expenditures	478,610	760,153	1,238,763
<b>OTHER FINANCING SOURCES</b>			
Lease proceeds	18,201		18,201
Sale of capital assets	50,192		50,192
<b>Total other financing sources</b>	<b>68,393</b>		<b>68,393</b>
<b>Net change in fund balances</b>	<b>547,003</b>	<b>760,153</b>	<b>1,307,156</b>
Fund balances - beginning	11,908,294	1,892,610	13,800,904
<b>Fund balances - ending</b>	<b>\$ 12,455,297</b>	<b>\$ 2,652,763</b>	<b>\$ 15,108,060</b>

Exhibit A-6  
School District of McFarland, Wisconsin  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds		\$ 1,307,156
Amounts reported for governmental activities in the statement of activities are different because:		
<p>The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlay reported in governmental fund statements and donated assets	1,509,228	
Depreciation expenses reported in the statement of activities	<u>(3,904,076)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(2,394,848)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, and disposals) is to increase/decrease net position:</p>		
		(39,642)
<p>Right to use leased assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over the applicable lease term as an annual amortization expenses in the statement of activities.</p>		
Lease outlay reported in governmental fund statements	18,201	
Amortization expenses reported in the statement of activities	<u>(62,808)</u>	
Amount by which lease outlays are more (less) than amortization in the current period		(44,607)
<p>Long-term proceeds, including leases, provide current financial resources to governmental funds, but issuing long-term debt increases long term liabilities in the statement of net position. Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities</p>		
Amount of long-term debt principal payments in the current year		2,203,586
Amount of long-term debt proceeds in the current year		(18,201)
<p>Debt premiums are reported in the governmental funds as revenues when those amounts are received. However, the premium is shown in the statement of net position and allocated over the life of the debt issue as interest income in the statement of activities.</p>		
Amount of debt premiums amortized in the current year		113,404
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.</p>		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments		2,065,396
<p>Vested employee benefits and OPEB are reported in the governmental funds when amounts are paid. The statement of activities reports values of benefits earned during the year.</p>		
Change in compensated absences		100,538
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		115,654
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(195,860)
<p>In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.</p>		
The amount of interest paid during the current period	2,034,194	
The amount of interest accrued during the current period	<u>(2,013,573)</u>	
Interest paid is greater (less) than interest accrued by		<u>20,621</u>
Change in net position - governmental activities		<u>\$ 3,233,197</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

School District of McFarland  
Index to the Notes to the Basic Financial Statements  
June 30, 2022

---

Note 1.	<u>Summary of Significant Accounting Policies</u>	
	A. Reporting Entity .....	18
	B. Basis of Financial Statement Presentation.....	18 – 20
	C. Measurement Focus and Basis of Accounting.....	20 – 21
	D. Assets and Liabilities.....	22 – 24
	E. Claims and Judgments.....	24
	F. Estimates .....	24
	G. Interfund Transactions.....	25
	H. Equity Classifications.....	25 – 26
	I. Pensions .....	26
	J. Deferred Outflows and Inflows of Resources.....	26
	K. Change in Accounting Principle .....	27
Note 2.	<u>Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements</u> .....	27
Note 3.	<u>Cash and Investments</u> .....	28 – 31
Note 4.	<u>Capital Assets</u> .....	31 – 32
Note 5.	<u>Long-Term Obligations</u> .....	32 – 34
Note 6.	<u>Right to Use Leased Assets</u> .....	34
Note 7.	<u>Defined Benefit Pension Plan</u> .....	35 – 40
Note 8.	<u>Governmental Fund Balances</u> .....	40
Note 9.	<u>Risk Management</u> .....	41
Note 10.	<u>Limitation of School District Revenues</u> .....	41
Note 11.	<u>Interfund Balances and Activity</u> .....	41
Note 12.	<u>Other Postemployment Benefits – Single Employer Health Insurance Plan</u> .....	41 – 44
Note 13.	<u>Other Postemployment Benefits – Multiple Employer Life Insurance Plan</u> .....	44 – 48
Note 14.	<u>Charter Schools</u> .....	48
Note 15.	<u>Effect of New Accounting Standards on Current Period Financial Statements</u> .....	49



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District of McFarland is organized as a common school district governed by an elected five-member school board. The District operates early childhood programs through grade 12. The district is comprised of all or parts of six taxing districts.

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

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

B. Basis of Financial Statement Presentation

*District-wide Statements:*

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds, which are presented in the fund financial statements by type. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities or fiduciary funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the district's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Financial Statement Presentation (Continued)

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into 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 of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

*Governmental Funds*

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

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

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

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

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

Permanent Funds - Permanent funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Financial Statement Presentation (Continued)

*Major Funds*

The District reports the following major governmental fund:

    General Fund

*Non-Major Funds*

The District reports the following non-major funds:

    Debt Service

    Capital Projects

    Special Revenue Funds:

        Food Service

        Package Cooperative

        Special Revenue Fund

        Community Service

C. Measurement Focus and Basis of Accounting

The district-wide Statement of Net Position and Statement of Activities financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, deferred inflows of resources is removed from the combined balance sheet and revenue is recognized.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities

*Cash and Cash Equivalents/Investments*

The District has pooled a portion of the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the District's individual major funds, and in aggregate for non-major funds. Interest earned is distributed monthly to various funds based on each fund's proportionate equity in the cash and investment pool. Designated or restricted cash resources are kept in separate accounts.

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

*Accounts Receivable*

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since such allowance would not be material.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general and food service funds are governmental activities and consist of expendable food and supplies held for consumption. The costs are recorded as expenditures under the purchase method. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

*Capital Assets*

District-wide Statements

In the district-wide financial statements, capital assets are reported at actual cost or estimated historical costs. Donated assets are reported at acquisition value.

All capital assets that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are disposed are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful are expensed.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

*Capital Assets (Continued)*

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Computer equipment	5 years
Vehicles and buses	8 years
Other equipment	5 – 15 years
Site improvements	20 years
Buildings	50 years
Subsequent modernization to buildings	10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

*Right to use Leased Assets*

The District has recorded a right to use leased assets as a result of implementing GASB 87. The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary changes necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease.

*Employee Benefits*

The vested sick and vacation leave, and other postemployment benefit liabilities are reported on the district-wide financial statements. In the governmental fund financial statements, none of the liability is reported as it is not expected to be paid using expendable available resources.

Vacation

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Vacation pay is granted on July 1 of the ensuing year and is not cumulative. Administration, directors and supervisors may roll over unused vacation days or receive a payout, but days are capped for rollover. Year-round support staff may roll over all unused vacations days with no cap. No payout is available.

Sick Pay

Sick leave eligibility and accumulation is specified in employee handbooks or individual employment contracts.

Upon retirement, resignation, or death (after achieving a specified number of years of service), employees receive a lump-sum payment based on unused accumulated sick leave, to the maximum specified in the employment agreements.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Sick Pay (Continued)

An accrual for accumulated sick leave is included in the compensated absences liability in the statement of net position at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end, and includes applicable salary related payments.

Other Postemployment Benefits

*District health insurance plan*

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information of the District's Other Postemployment Benefit Plan (the Plan) has been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

*Group life insurance plan*

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

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. Long-term debt consists primarily of notes, bonds or loans payable, lease liabilities, and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

E. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types.

F. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Transactions

Charges for services between funds are reported as revenues in the seller funds and as expenditure/expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. These transfers are eliminated from the statement of activities. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net position.

H. Equity Classifications

*District-wide Statements*

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Statements*

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the Board of Education, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest-level action to remove or change the constraint.
- Assigned – includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative fund balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

The District's long-term goals for fund balance is to achieve and maintain a general fund balance that would alleviate the need to short-term borrow for operational cash flow needs. Fund balance in excess of this goal may be used for one-time expenditures or unforeseen costs (i.e. damages). The general fund balance shall not be used for recurring costs in the operating budget.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The District's fund balance policy states fund balances shall be maintained to avoid excessive short term borrowing for cash flow purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

I. Pensions

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

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has items that qualify for reporting in this category. The deferred outflows of resources are for the WRS pension system and OPEB plans.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has items that qualify for reporting in this category. The deferred inflows of resources are related to the WRS pension system and OPEB plans.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Change in Accounting Principle

Effective July 1, 2021 the District adopted GASB statement No. 87, Leases. GASB No. 87 replaces previous lease accounting methodology and establishes a single model for lease accounting based on the principle that leases are a financing right to use an underlying asset. GASB No. 87 requires recognition of certain lease assets and liabilities for lessee agreements and lease receivables and deferred inflows of resources for lessor agreements.

Effective July 1, 2021, the District recorded right to use leased assets of \$296,278 and related accumulated amortization of \$84,143. The District removed \$296,278 and \$84,143 from the government wide capital assets and accumulated depreciation, respectively. The capital lease is now recorded as a lease liability on the face of the financials. This has no effect on the beginning balance on the statement of activities.

NOTE 2                      EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND  
STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds' statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities. The long-term expenses reported recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 3

CASH AND INVESTMENTS

As previously discussed, cash for District funds is generally pooled for investment purposes. At June 30, 2022, the cash and investments included the following:

<u>Account Balances</u>	
Petty cash/cash on hand	\$ 4,704
Deposits with financial institutions	10,529,632
Local Government Investment Pool	706
Total	<u>\$ 10,535,042</u>

Per Statement of Net Position - Exhibit A-1:

Cash and investments	<u>\$ 10,535,042</u>
Total cash and investments	<u>\$ 10,535,042</u>

Investments Authorized by Wisconsin State Statutes

Investment of District funds is restricted by state statutes. Available investments are limited to:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity (in months)	
	Amount	12 months or less
WI local government investment pool (LGIP)	\$ 706	\$ 706

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investments policy that would further limit its investment choices. As of June 30, 2022, the District's investments in the Wisconsin Local Government Investment Pool was not rated.

Custodial Credit Risk

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

*Federal Deposit Insurance Corporation (FDIC) Insurance*

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

*Collateralization of Public Unit Deposits*

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the event of the failure of an insured bank.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

At June 30, 2022, the District had \$11,388,644 of deposits with financial institutions. Of this amount, \$250,000 was insured by the FDIC and \$11,138,644 was collateralized with financial institutions.

Fluctuating cash flows during the year due to collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding insured amounts at the balance sheet date.

*Wisconsin Local Government Investment Pool*

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. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2022, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of June 30, 2022 was: 95% in U.S. Government Securities, 1% in Bankers' Acceptances and 4% in commercial paper. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

LGIP is exempt from fair value disclosure due to investments being valued at amortized cost.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

At June 30, 2022, the District had \$11,388,644 deposited in one financial institution.

NOTE 4 CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,109,194	\$	\$	\$ 2,109,194
Total capital assets not being depreciated	2,109,194			2,109,194
<i>Capital assets, being depreciated:</i>				
Buildings	99,937,009	202,173		100,139,182
Land improvements	5,817,240	217,230		6,034,470
Furniture and equipment	14,031,046	1,089,825	(51,714)	15,069,157
Total capital assets, being depreciated	119,785,295	1,509,228	(51,714)	121,242,809
Total capital assets	121,894,489	1,509,228	(51,714)	123,352,003
<i>Less accumulated depreciation:</i>				
Buildings	23,288,080	2,940,827		26,228,907
Land improvements	2,324,281	170,239		2,494,520
Furniture and equipment	10,591,451	793,010	(12,072)	11,372,389
Total accumulated depreciation	36,203,812	3,904,076	(12,072)	40,095,816
Total net capital assets	\$ 85,690,677	\$ (2,394,848)	\$ (39,642)	\$ 83,256,187

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 667,195
Vocational instruction	10,940
Pupil services	9,518
Building administration	22,324
Business administration	364,672
Other support services	393
Depreciation not charged to a specific function	2,829,034
Total depreciation for governmental activities	\$ 3,904,076

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

Regular instruction	\$	782,479
Vocational instruction		8,850
Other instruction		5,375
Building administration		183,773
Business administration		528,751
Total capital outlay	\$	1,509,228

NOTE 5 LONG-TERM OBLIGATIONS

A. Long-term Notes Liability

Long-term liability balances and activity for the year ended June 30, 2022 were as follows:

	Beginning 7/1/2021	Increases	Decreases	Balance 6/30/2022	Current Portion
<b>Bonds and notes payable:</b>					
General obligation bonds and notes	\$ 59,255,000		\$ (2,135,000)	\$ 57,120,000	\$ 2,390,000
Unamortized bond premium	1,671,263		(113,404)	1,557,859	
<b>Total bonds and notes payable</b>	<b>60,926,263</b>		<b>(2,248,404)</b>	<b>58,677,859</b>	<b>2,390,000</b>
<b>Other liabilities:</b>					
Lease liability	237,339	18,201	(68,586)	186,954	64,491
Compensated absences	1,515,491	339,128	(439,666)	1,414,953	447,703
<b>Total other liabilities</b>	<b>1,752,830</b>	<b>357,329</b>	<b>(508,252)</b>	<b>1,601,907</b>	<b>512,194</b>
<b>Per statement of net position</b>	<b>\$ 62,679,093</b>	<b>\$ 357,329</b>	<b>\$ (2,756,656)</b>	<b>\$ 60,279,766</b>	<b>\$ 2,902,194</b>

The other liabilities are typically being liquidated through the general fund.

Total interest paid and accrued during the year:

	<u>Expense</u>	<u>Paid</u>
Long-term debt	\$ 2,013,573	\$ 2,034,194

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2022 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance
G.O. promissory notes	12/28/2016	2.25 - 3.0%	4/1/2026	\$ 4,650,000
G.O. improvement bonds	8/1/2017	2.5 - 5.0%	4/1/2037	37,690,000
G.O. improvement bonds	8/15/2019	3.0 - 4.0%	4/1/2038	14,780,000
Total general obligation bonds and notes				<u>\$ 57,120,000</u>

The 2021 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$1,804,500,148. The legal debt limit and margin of indebtedness as of June 30, 2022 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,804,500,148)	\$ 180,450,015
Deduct long-term debt applicable to debt margin	<u>(57,120,000)</u>
Margin of indebtedness	<u>\$ 123,330,015</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2022 follows:

Year Ended June 30,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2023	\$ 2,390,000	\$ 1,952,144	\$ 4,342,144
2024	2,585,000	1,868,344	4,453,344
2025	2,790,000	1,772,493	4,562,493
2026	3,010,000	1,667,044	4,677,044
2027	3,270,000	1,551,094	4,821,094
2028 - 2032	16,360,000	6,081,869	22,441,869
2033 - 2037	21,565,000	3,249,500	24,814,500
2038	5,150,000	180,250	5,330,250
Totals	<u>\$ 57,120,000</u>	<u>\$ 18,322,738</u>	<u>\$ 75,442,738</u>

**B. Employee Benefits**

Employee benefits at June 30, 2022 are calculated based on the District's assumptions that employees will receive future payments for these benefits. Benefits included in this calculation include vested sick leave, compensatory time, and vacation benefits earned through June 30, 2022. The estimated liability for earned benefits at June 30, 2022 is \$1,414,953, and is shown on the statement of net position. The District's contributions are financed on a "pay-as-you-go" basis.



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

C. Lease Liability

Aggregate cash flow requirements for the retirement of the lease liability and interest at June 30, 2022 were as follows:

Year Ended			
June 30,	Principal	Interest	Total
2023	\$ 64,491	\$ 17,254	\$ 81,745
2024	72,016	9,729	81,745
2025	47,580	1,930	49,510
2026	2,867	54	2,921
Totals	<u>\$ 186,954</u>	<u>\$ 28,967</u>	<u>\$ 215,921</u>

NOTE 6

RIGHT TO USE LEASED ASSETS

The District has entered into lease agreements for copiers and a postage machine. The related future minimum lease obligations are discussed in the Lease Liability subsection of the Long-Term Obligations note.

In the statement of activities, lease expense for the year ended June 30, 2022 was as follows:

	<u>Year Ending</u> <u>6/30/2022</u>
Amortization expense by class of underlying asset:	
Copy machines	\$ 59,256
Postage machine	3,552
Total amortization expense	<u>62,808</u>
Interest on lease liabilities	<u>24,505</u>
Total	<u>\$ 87,313</u>

Lease asset activity for the year ended June 30, 2022 was as follows:

	Beginning of Year	Additions	Subtractions	End of Year
Right to use leased assets:				
Copy machines	\$ 296,278	\$	\$	\$ 296,278
Postage machine		18,201		18,201
Total right to use leased assets	<u>296,278</u>	<u>18,201</u>		<u>314,479</u>
Less: accumulated amortization				
Copy machines	84,143	59,256		143,399
Postage machine		3,552		3,552
Total accumulated amortization	<u>84,143</u>	<u>62,808</u>		<u>146,951</u>
Total right to use leased assets, net	<u>\$ 212,135</u>	<u>\$ (44,607)</u>	<u>\$</u>	<u>\$ 167,528</u>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 7

DEFINED BENEFIT PENSION PLAN

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

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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

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

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

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

The WRS also provides death and disability benefits for employees.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

**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 reporting period, the WRS recognized \$1,274,912 in contributions from the employer.

Contribution rates as of June 30, 2022 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2022, the School District of McFarland reported a liability (asset) of (\$8,875,198) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The School District of McFarland's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the School District of McFarland's proportion was 0.11011161%, which was an decrease of 0.00021911% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the School District of McFarland's recognized pension expense (revenue) of (\$773,154).

At June 30, 2022, the School District of McFarland reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,337,434	\$ (1,033,883)
Net differences between projected and actual earnings on pension plan investments		(19,854,557)
Changes in assumptions	1,655,808	
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,447	(2,954)
Employer contributions subsequent to the measurement date	724,863	
Total	<u>\$ 16,722,552</u>	<u>\$ (20,891,394)</u>

\$724,863 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>Net Deferred Outflows (Inflows) of Resources</b>	
<b>Year Ended June 30:</b>		
2023	\$	(412,351)
2024		(2,406,286)
2025		(1,059,536)
2026		(1,015,532)
Total	\$	<u>(4,893,705)</u>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Actuarial Assumptions.** The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*	1.7%

\*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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:

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>Asset Allocation Targets and Expected Returns<sup>1</sup></b>			
<b>As of December 31, 2021</b>			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % <sup>2</sup>
Global Equities	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Multi-Asset	0	0.0	0.0
Total Core Fund <sup>3</sup>	115	6.6	4.0
<b>Variable Fund Asset Class</b>			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

<sup>1</sup> Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations

<sup>2</sup> New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

<sup>3</sup> The investment policy used from the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**Single Discount Rate.** A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. 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 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Sensitivity of the School District of McFarland's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:** The following presents the School District of McFarland's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	<b>1% Decrease to Discount Rate (5.80%)</b>	<b>Current Discount Rate (6.80%)</b>	<b>1% Increase to Discount Rate (7.80%)</b>
District's proportionate share of the net pension liability (asset)	\$ 6,297,582	\$ (8,875,198)	\$ (19,796,777)

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

NOTE 8

GOVERNMENTAL FUND BALANCES

Portions of fund balances are not available for general appropriation or expenditure, as follows:

Nonspendable:	
General Fund:	
Prepayments	\$ 187,043
Food service:	
Inventory	3,736
Capital projects:	
Prepayments	50,995
Total nonspendable fund balance	<u>\$ 241,774</u>
Restricted:	
General fund - Get kids ahead	\$ 32,932
Debt service fund	1,100,124
Special revenue fund	436,626
Capital projects fund	380,313
Food service fund	477,562
Community service fund	203,407
Total restricted fund balance	<u>\$ 2,630,964</u>
Assigned:	
General Fund:	
Career and technical education incentive grant	\$ 126,970
Special education transition grant	29,712
Department of Administration funds	307,000
Total assigned fund balance	<u>\$ 463,682</u>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 9

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10

LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

NOTE 11

INTERFUND BALANCES AND ACTIVITY

The following is a schedule of interfund balances:

Receivable Fund	Payable Fund	Amount	Purpose
General	Package cooperative	\$ 27,267	Cash flow

\$3,767,397 was transferred to the special education fund from the general fund during the fiscal year ended June 30, 2022. This transfer was used to cover any costs not covered by direct revenues. In the Fund Statements, the general fund and special education funds are combined and the transfer is netted. In the Statement of Activities, all transfers have been eliminated.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN

The District reports its liability for other post-employment benefits based on an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

**Plan Description** – The District operates a single-employer retiree benefit plan that provides postemployment health and dental insurance benefits to eligible employees and their spouses. There are 351 active and 61 retired members in the plan. Benefits and eligibility for teachers, administrators, and support staff are established and amended by the governing body. The plan does not issue stand-alone financial statements. Current approved benefits are as follows:

**Administrators:** At least age 55 with a minimum of 10 years of consecutive service in the District and retiring within 2 years of meeting first eligibility.

The District will make annual contributions into a premium only HRA on behalf of eligible retirees until Medicare-eligibility or death, whichever should occur first. The annual contributions will be equal to a percentage determined by years of service and year retired relative to first meeting eligibility. The District’s total HRA contributions, over the entire duration of the benefit will not exceed 1.25 times the retiree’s final salary.



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

**Teachers:** At least age 57 with a minimum of 15 years of service in the District (those hired after September 1, 2007 need 20 years of service).

The District will contribute \$8,000 per year upon retirement into a premium only HRA until Medicare eligibility.

**Support Staff:** At least age 58 with a minimum of 15 years of service in the District and has no breaks in consecutive service over 2 years.

The District will make annual contributions into a premium only HRA on behalf of eligible retirees until Medicare-eligibility or death, whichever should occur first. The amounts of the annual contributions are determined by hours worked per year in the last three years of employment. These funds may be used for premiums only to remain on the District’s medical plan or with another health plan outside the District.

**Funding Policy** – The District will fund the OPEB with a pay-as-you go basis. There are no assets accumulated in a trust to provide for these benefits.

**Employees Covered by Benefit Terms** – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	61
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	351
	412

**Total OPEB Liability** – The District’s total OPEB liability of \$4,534,840 was measured at June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and measurement date.

**Actuarial Assumptions and Other Inputs.** The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.0 percent
Salary increases	3 percent, average, including inflation
Discount rate	2.25 percent
Healthcare cost trend rates	5.00% in the first year, then 6.40% decreasing by 0.10% per year down to 5.00%, and level thereafter
Retirees' share of benefit-related costs	Retirees' are responsible for the difference between the total premium costs and the district's premium and HRA contributions.

The discount rate is based on the Bond Buyer GO 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

Mortality rates were based on the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%).

The actuarial assumptions used in the June 30, 2020 valuation were based on a study conducted in 2018 using the Wisconsin Retirement System (WRS) experience from 2015-2017.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
<b>Balance at 6/30/2020</b>	<b>\$ 4,581,710</b>
<b>Changes for the year:</b>	
Service cost	300,368
Interest	101,420
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	
Benefit payments	(448,658)
<b>Net Changes</b>	<b>(46,870)</b>
<b>Balance at 6/30/2021</b>	<b>\$ 4,534,840</b>

There were no changes of benefit terms or assumptions from the actuarial valuation performed as of June 30, 2020.

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

		1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB Liability	6/30/2021	\$ 4,821,396	\$ 4,534,840	\$ 4,262,134

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.4 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.4 decreasing to 6.0 percent) than the current healthcare cost trend rates:

		1% Decrease (4.0% in the first year, then 5.4% decreasing to 4.0%)	Healthcare Cost Trend Rates (5.0% in the first year, then 6.4% decreasing to 5.0%)	1% Increase (6.0% in the first year, then 7.4% decreasing to 6.0%)
Total OPEB Liability	6/30/2021	\$ 4,313,962	\$ 4,534,840	\$ 4,795,707

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$285,485. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$	\$ 455,171
Changes of assumptions or other inputs	203,688	542,162
Contributions after the measurement date	401,139	
Total	\$ 604,827	\$ 997,333

\$401,139 reported as deferred outflows of resources related to pension resulting from the School District of McFarland contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2023	\$ (116,303)
2024	(116,303)
2025	(116,303)
2026	(116,303)
2027	(116,300)
Thereafter	(212,133)
Total	\$ (793,645)

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN

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

***OPEB Plan Fiduciary Net Position.*** ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

***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.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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

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

Contribution rates as of June 30, 2022 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
25% Post Retirement Coverage	20% of Member Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2021 are as listed below:

<b>Life Insurance</b>		
<b>Employee Contribution Rates*</b>		
<b>For the year ended December 31, 2021</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
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 \$5,297 in contributions from the employer.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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

At June 30, 2022, the School District of McFarland reported a liability (asset) of \$1,529,710 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the District's proportion was 0.258818%, which was an increase of 0.000932% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$201,339.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ (77,816)
Net differences between projected and actual earnings on plan investments	19,903	
Changes in actuarial assumptions	462,178	(74,146)
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,096	
Employer contributions subsequent to the measurement date	2,695	
Totals	\$ 525,872	\$ (151,962)

\$2,695 reported as deferred outflows related to OPEB resulting from the District employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2023	\$ 86,173
2024	83,864
2025	75,129
2026	86,831
2027	38,540
Thereafter	678
Total	\$ 371,215

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability (Asset)	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rated of Return:	4.25%
Discount Rate:	2.17%
Salary Increases	
Wage Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 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.

<b>Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2021</b>			
Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interm Credit	45%	1.68%
US Long Credit Bonds	Bloomberg US Long Credit	5%	1.82%
US Mortgages	Bloomberg US MBS	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. 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. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

NOTE 13    OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

**Single Discount Rate.** A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate.** The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.17 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17 percent) or 1-percentage-point higher (3.17 percent) than the current rate:

	<b>1% Decrease to Discount Rate (1.17%)</b>	<b>Current Discount Rate (2.17%)</b>	<b>1% Increase to Discount Rate (3.17%)</b>
District's proportionate share of the net OPEB liability (asset)	\$ 2,075,265	\$ 1,529,710	\$ 1,119,202

NOTE 14    CHARTER SCHOOLS

Four Lakes Education, Inc. operates non-instrumentality charter schools that are part of the School District of McFarland. "Non-instrumentality" means the day to day operation rests solely with the charter holder, Four Lakes Education, Inc., its board, and its education provider, K12, Inc.

Students of the charter schools are recognized within the School District of McFarland’s open enrollment state membership. State of Wisconsin open enrollment tuition revenue generated by the charter schools totaled \$30,214,463 for the school year ended June 30, 2022. This revenue is received by the School District of McFarland and then paid to the charter schools, less oversight fee amounts retained by the School District of McFarland. In addition, certain federal and state grant funds are received by the School District of McFarland and passed through to the charter schools.

Four Lakes Education, Inc. is a tax exempt 501(c)(3) organization currently consisting of five members. One non-voting member is appointed by the School District of McFarland Board of Education.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2022

---

NOTE 15    EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021 and GASB Statement No 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. When these become effective, application of these standards may restate portions of these financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1  
School District of McFarland, Wisconsin  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances-	
				Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>REVENUES</b>					
Property taxes	\$ 13,513,239	\$ 13,513,239	\$ 13,516,718	\$ 3,479	\$ 3,479
Other local sources	307,520	307,520	499,298	191,778	191,778
Interdistrict sources	25,600,000	25,600,000	31,562,033	5,962,033	5,962,033
State sources	15,392,693	15,403,093	15,414,151	21,458	11,058
Federal sources	286,789	912,168	1,133,218	846,429	221,050
Other sources	38,000	38,000	79,521	41,521	41,521
Total revenues	55,138,241	55,774,020	62,204,939	7,066,698	6,430,919
<b>EXPENDITURES</b>					
Instruction:					
Undifferentiated curriculum	8,055,114	8,055,114	7,296,720	758,394	758,394
Regular curriculum	6,020,788	6,020,788	5,751,433	269,355	269,355
Vocational instruction	954,281	954,281	1,018,792	(64,511)	(64,511)
Physical curriculum	733,223	733,223	731,009	2,214	2,214
Co-curricular activities	828,151	828,151	1,002,290	(174,139)	(174,139)
Gifted and talented	215,072	215,072	189,427	25,645	25,645
Total instruction	16,806,629	16,806,629	15,989,671	816,958	816,958
Support services:					
Pupil services	1,180,168	1,225,548	1,042,223	137,945	183,325
Instructional staff services	1,835,126	1,838,748	1,692,996	142,130	145,752
General administration services	531,172	531,172	678,016	(146,844)	(146,844)
Building administration services	2,054,571	2,054,571	2,008,508	46,063	46,063
Business administration	4,748,340	4,763,566	5,214,431	(466,091)	(450,865)
Central services	66,000	66,000	57,742	8,258	8,258
Insurance	265,000	265,000	242,454	22,546	22,546
Principal and interest	151,346	151,346	93,092	58,254	58,254
Other support services	877,448	892,578	808,166	69,282	84,412
Total support services	11,709,171	11,788,529	11,837,628	(128,457)	(49,099)
Non-program transactions:					
Purchased instructional services	23,450,441	23,699,862	30,122,565	(6,672,124)	(6,422,703)
Other non-program transactions			9,068	(9,068)	(9,068)
Total non-program transactions	23,450,441	23,699,862	30,131,633	(6,681,192)	(6,431,771)
Total expenditures	51,966,241	52,295,020	57,958,932	(5,992,691)	(5,663,912)
Excess (deficiency) of revenues over expenditures	3,172,000	3,479,000	4,246,007	1,074,007	767,007
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to other funds	(3,573,902)	(3,573,902)	(3,767,397)	(193,495)	(193,495)
Lease proceeds			18,201	18,201	18,201
Sale of capital assets			50,192	50,192	50,192
Total other financing sources (uses)	(3,573,902)	(3,573,902)	(3,699,004)	(125,102)	(125,102)
Net change in fund balance	(401,902)	(94,902)	547,003	948,905	641,905
Fund balance - beginning	11,908,294	11,908,294	11,908,294		
Fund balance - ending	\$ 11,506,392	\$ 11,813,392	\$ 12,455,297	\$ 948,905	\$ 641,905

Exhibit B-2  
School District of McFarland, Wisconsin  
Budgetary Comparison Schedule for the Special Education Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
		\$		\$	\$
<b>REVENUES</b>					
Interdistrict sources	\$	\$	\$ 47,593	\$ 47,593	\$ 47,593
Intermediate sources			475	475	475
State sources	1,641,505	1,641,505	2,220,480	578,975	578,975
Federal sources	1,625,991	1,625,990	1,187,975	(438,016)	(438,015)
Total revenues	<u>3,267,496</u>	<u>3,267,495</u>	<u>3,456,523</u>	<u>189,027</u>	<u>189,028</u>
<b>EXPENDITURES</b>					
Instruction:					
Special education curriculum	5,144,457	5,093,656	5,054,436	90,021	39,220
Total instruction	<u>5,144,457</u>	<u>5,093,656</u>	<u>5,054,436</u>	<u>90,021</u>	<u>39,220</u>
Support services:					
Pupil services	706,308	731,458	803,514	(97,206)	(72,056)
Instructional staff services	341,647	351,697	307,756	33,891	43,941
Business administration	270,986	276,586	219,645	51,341	56,941
Insurance	31,000	31,000	31,000		
Total support services	<u>1,349,941</u>	<u>1,390,741</u>	<u>1,361,915</u>	<u>(11,974)</u>	<u>28,826</u>
Non-program transactions:					
Purchased instructional services	347,000	357,000	218,853	128,147	138,147
Other non-program transactions			588,716	(588,716)	(588,716)
Total non-program transactions	<u>347,000</u>	<u>357,000</u>	<u>807,569</u>	<u>(460,569)</u>	<u>(450,569)</u>
Total expenditures	<u>6,841,398</u>	<u>6,841,397</u>	<u>7,223,920</u>	<u>(382,522)</u>	<u>(382,523)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,573,902)</u>	<u>(3,573,902)</u>	<u>(3,767,397)</u>	<u>(193,495)</u>	<u>(193,495)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	<u>3,573,902</u>	<u>3,573,902</u>	<u>3,767,397</u>	<u>193,495</u>	<u>193,495</u>
Net change in fund balance					
Fund balance - beginning					
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Exhibit B-3  
School District of McFarland  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
June 30, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 300,368	\$ 295,507	\$ 274,509	\$ 325,357	\$ 351,510	\$ 351,510
Interest	101,420	160,216	168,736	193,959	169,974	169,797
Changes in benefit terms						
Differences between expected and actual experience		(285,115)		(348,696)		
Changes of assumptions or other inputs		187,009	69,686	(726,367)	(159,857)	
Benefit payments	(448,658)	(411,497)	(479,450)	(442,276)	(503,067)	(527,734)
Net change in total OPEB	\$ (46,870)	\$ (53,880)	\$ 33,481	\$ (998,023)	\$ (141,440)	\$ (6,427)
Total OPEB Liability- Beginning	4,581,710	4,635,590	4,602,109	5,600,132	5,741,572	5,747,699
Total OPEB Liability- Ending	<u>\$ 4,534,840</u>	<u>\$ 4,581,710</u>	<u>\$ 4,635,590</u>	<u>\$ 4,602,109</u>	<u>\$ 5,600,132</u>	<u>\$ 5,741,272</u>
<b>Covered Employee Payroll</b>	\$ 16,895,231	\$ 16,895,231	\$ 16,701,426	\$ 16,701,426	\$ 13,941,569	\$ 13,941,569
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	26.84%	27.12%	27.76%	27.56%	40.17%	41.18%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is only presented for the years for which the required supplementary information is available.

Exhibit B-4  
School District of McFarland  
Wisconsin Retirement System Schedules  
June 30, 2022

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

Last 10 Calendar Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	(0.11011161%)	\$ (8,875,198)	\$ 18,887,525	(46.99%)	106.02%
2020	(0.11033072%)	(6,888,099)	18,447,647	(37.34%)	105.26%
2019	(0.10980525%)	(3,540,622)	17,679,634	(20.03%)	102.96%
2018	0.11008948%	3,916,638	16,908,431	23.16%	96.45%
2017	(0.11017636%)	(3,271,266)	16,171,874	(20.23%)	102.93%
2016	0.10915020%	899,658	16,100,797	5.59%	99.12%
2015	0.10689427%	1,737,011	15,673,694	11.08%	98.20%
2014	(0.10366112%)	(2,545,501)	14,811,127	(17.19%)	102.74%

\*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS**

Last 10 Fiscal Years\*\*

Year ended June 30,	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
2022	\$ 1,290,272	\$ (1,290,272)		\$ 19,528,159	6.61%
2021	1,227,650	(1,227,650)		18,187,337	6.75%
2020	1,195,820	(1,195,820)		17,927,863	6.67%
2019	1,159,239	(1,159,239)		17,537,686	6.61%
2018	1,108,441	(1,108,441)		16,446,103	6.74%
2017	1,089,982	(1,089,982)		16,223,378	6.72%
2016	1,065,814	(1,065,814)		15,900,077	6.70%
2015	1,059,704	(1,059,704)		15,403,490	6.88%

\*\*The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

Exhibit B-5  
School District of McFarland  
Local Retiree Life Insurance Fund Schedules  
June 30, 2022

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

Last 10 Calendar Years\*

Year ended December 31,	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 its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2021	0.25881800%	\$ 1,529,710	\$ 13,982,000	10.94%	29.57%
2020	0.25788600%	1,418,559	13,022,000	10.89%	31.36%
2019	0.25051200%	1,066,729	12,852,000	8.30%	37.58%
2018	0.24999300%	645,066	12,346,000	5.22%	48.69%
2017	0.24138400%	726,223	10,150,888	7.15%	44.81%

\*The proportionate share of the net OPEB liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS**

Last 10 Calendar Years\*

Year ended June 30,	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
2022	\$ 5,388	\$ (5,388)		\$ 13,885,000	0.04%
2021	5,010	(5,010)		12,926,000	0.04%
2020	5,089	(5,089)		13,136,000	0.04%
2019	4,870	(4,870)		12,200,000	0.04%
2018	4,708	(4,708)		11,681,000	0.04%

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

---

NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the function level for all funds.

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

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

The District is legally required by the State of Wisconsin to maintain and budget separately for a Special Education Fund. The Special Education Fund is combined with the General Fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the General Fund and the Special Education Fund.

Except as noted in the previous paragraph, annual budgets are adopted on a basis consistent with U.S generally accepted accounting principles for all governmental and special revenue funds.

Appropriations lapse at year-end unless authorized as a carryover by the School Board.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following functions/sub-functions had an excess of actual expenditures over budget for the year ended June 30, 2022:

Fund	Excess Expenditures
General fund:	
Support services	\$ 49,099
Non-program transactions	6,431,771
Special Education:	
Non-program transactions	450,569

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

---

NOTE 3

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY  
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 62,204,939	\$ 3,456,523
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	3,456,523	(3,456,523)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 65,661,462	\$ _____
	General Fund	Special Education Fund
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 57,958,932	\$ 7,223,920
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	7,223,920	(7,223,920)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 65,182,852	\$ _____



School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

---

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 2 preceding years.

**Changes in Benefit Terms and Assumptions related to Pension Liabilities (Assets)**

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

*Changes of assumptions:*

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

<b>Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:</b>					
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Valuation Date:	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
<b>Actuarial Assumptions</b>					
Net Investment Rate of Return:	5.4%	5.4%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.0%	7.0%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Salary Increases</b>					
Wage Inflation:	3.0%	3.0%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.9%	1.9%	2.1%	2.1%	2.1%
Retirement Age:	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015 - 2017.	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.
Mortality:	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).
*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. Value is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.					

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

<b>Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Valuation Date:	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
<b>Actuarial Assumptions</b>				
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:				
Pre-retirement:	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%
<b>Salary Increases</b>				
Wage Inflation:	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2006 - 2008.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin Projected Experience Table - 2005 for women and 90% of the Wisconsin Projected Experience Table - 2005 for men.
*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. Value is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.				

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2022

---

NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 5 preceding years.

**Changes in Benefit Terms and Assumptions related to LRLIF OPEB Liabilities (Assets)**

*Benefit Terms:* There were no recent changes in benefit terms.

*Assumptions:* In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three-year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN – SINGLE EMPLOYER HEALTH INSURANCE PLAN

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 4 preceding years.

*Changes of benefit terms.* There were no changes of benefit terms during the year.

*Changes of assumptions.* There were no changes of assumptions during the year.

*Assets.* There are no assets accumulated in a trust that meet the criteria in governmental accounting standards to pay related benefits.

SUPPLEMENTARY INFORMATION

Exhibit C-1  
School District of McFarland, Wisconsin  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

	Debt Service	Capital Projects	Food Service	Package Cooperative	Special Revenue Fund	Community Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 1,100,124	\$ 390,611	\$ 538,200		\$ 449,251	\$ 261,627	\$ 2,739,813
Accounts receivable			95		154	3,085	3,334
Due from other government				27,267		200	27,467
Inventory			3,736				3,736
Prepays		50,995					50,995
Total assets	<u>\$ 1,100,124</u>	<u>\$ 441,606</u>	<u>\$ 542,031</u>	<u>\$ 27,267</u>	<u>\$ 449,405</u>	<u>\$ 264,912</u>	<u>\$ 2,825,345</u>
<b>LIABILITIES</b>							
Accounts payable	\$	\$ 10,298	\$		\$ 12,779	\$ 31,319	\$ 54,396
Accrued salaries and wages			2,944				2,944
Due to other funds				27,267			27,267
Customer deposits			57,789			30,186	87,975
Total liabilities		<u>10,298</u>	<u>60,733</u>	<u>27,267</u>	<u>12,779</u>	<u>61,505</u>	<u>172,582</u>
<b>FUND BALANCES</b>							
Nonspendable		50,995	3,736				54,731
Restricted	1,100,124	380,313	477,562		436,626	203,407	2,598,032
Total fund balances	<u>1,100,124</u>	<u>431,308</u>	<u>481,298</u>		<u>436,626</u>	<u>203,407</u>	<u>2,652,763</u>
Total liabilities and fund balances	<u>\$ 1,100,124</u>	<u>\$ 441,606</u>	<u>\$ 542,031</u>	<u>\$ 27,267</u>	<u>\$ 449,405</u>	<u>\$ 264,912</u>	<u>\$ 2,825,345</u>

Exhibit C-2  
School District of McFarland, Wisconsin  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Debt Service	Capital Projects	Food Service	Package Cooperative	Special Revenue Fund	Community Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 4,128,169	\$ 249,000	\$	\$	\$	\$ 430,365	\$ 4,807,534
Other local sources		647	186,560		485,751	308,477	981,435
Interdistrict payments				19,085			19,085
Intermediate payments				8,182			8,182
State sources			35,738				35,738
Federal sources			1,311,841				1,311,841
Other sources			2,571			146	2,717
<b>Total revenues</b>	<b>4,128,169</b>	<b>249,647</b>	<b>1,536,710</b>	<b>27,267</b>	<b>485,751</b>	<b>738,988</b>	<b>7,166,532</b>
<b>EXPENDITURES</b>							
Instruction:							
Regular instruction					31,959		31,959
Vocational instruction				15,338	5,597		20,935
Other instruction				8,182	359,114		367,296
<b>Total instruction</b>				<b>23,520</b>	<b>396,670</b>		<b>420,190</b>
Support services:							
Pupil services					4,867		4,867
Instructional staff services				3,747			3,747
Building administration					42,695		42,695
Business administration		10,300				47,236	57,536
Central services					325		325
Food services			1,137,896				1,137,896
Community services						562,932	562,932
Principal and interest	4,169,194						4,169,194
<b>Total support services</b>	<b>4,169,194</b>	<b>10,300</b>	<b>1,137,896</b>	<b>3,747</b>	<b>47,887</b>	<b>610,168</b>	<b>5,979,192</b>
Non-program transactions:							
Post-secondary scholarships					6,997		6,997
<b>Total expenditures</b>	<b>4,169,194</b>	<b>10,300</b>	<b>1,137,896</b>	<b>27,267</b>	<b>451,554</b>	<b>610,168</b>	<b>6,406,379</b>
<b>Net change in fund balances</b>	<b>(41,025)</b>	<b>239,347</b>	<b>398,814</b>		<b>34,197</b>	<b>128,820</b>	<b>760,153</b>
Fund balances - beginning	1,141,149	191,961	82,484		402,429	74,587	1,892,610
Fund balances - ending	\$ 1,100,124	\$ 431,308	\$ 481,298	\$	\$ 436,626	\$ 203,407	\$ 2,652,763

Exhibit C-3  
 School District of McFarland, Wisconsin  
 Schedule of Charter School Authorizer Operating Costs  
 Fiscal Year Ending June 30, 2022

OPERATING ACTIVITY	WUFUR OBJECT CODE	COST
Employee Salaries	100	\$ 33,885
Employee Benefits	200	3,418
Purchased Services	300	
Non-Capital Objects	400	
Capital Objects	500	
Insurance & Judgements	700	
Dues & Fees	900	
<b>Total</b>		<b>\$ 37,303</b>



Exhibit C-4  
School District of McFarland, Wisconsin  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Awarding Agency/ Pass-Through Agency Award Description	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Receivable) June 30, 2021	Revenues Grantor Reimbursements	Expenditures	Receivable June 30, 2022	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Passed through Wisconsin Department of Public Instruction:							
Child Nutrition Cluster:							
School Breakfast Program	10.553	2022-133381-DPI-SB-546	\$	\$ 241,061	\$ 241,061		
National School Lunch Program	10.555	2022-133381-DPI-NSL-547		970,995	970,995		
Donated Food Commodities	10.555	Not Available		99,785	99,785		
Total-Child Nutrition Cluster				1,311,841	1,311,841		
Total U.S. Department of Agriculture				1,311,841	1,311,841		
<u>U.S. DEPARTMENT OF EDUCATION</u>							
Passed through Wisconsin Department of Public Instruction:							
Title I Grants:							
Comprehensive Supports and Improvements	84.010	2022-133381-DPI-CSI-148			79,818	79,818	79,818
Title I - Grants to Local Education Agencies	84.010A	2022-133381-DPI-TIA-141	(51,237)	79,203	61,761	33,795	61,761
Total Title I Grants			(51,237)	79,203	141,579	113,613	141,579
Special Education Cluster (IDEA):							
Special Education - Grants to States	84.027A	2022-133381-DPI-FLOW-341	(105,203)	621,144	967,478	451,537	
Special Education - CCEIS	84.027A	2021-133381-DPI-IDEA-FT-341	(13,511)	13,511			
Special Education - Preschool Grants	84.173A	2022-133381-PRESCH-347	(2,246)	9,829	16,978	9,395	
Total Special Education Cluster			(120,960)	644,484	984,456	460,932	
Improving Teacher Quality State Grants	84.367A	2022-133381-DPI-TIIA-365	(8,104)	18,787	26,364	15,681	
Education Stabilization Fund:							
COVID-19 - Education Stabilization Fund - ESSER II	84.425D	2022-133381-DPI-ESSERFII-163		378,019	449,217	71,198	
COVID-19 - ARP Homeless Children and Youth II	84.425W	2022-133381-DPI-ARPHCYII-173			15,404	15,404	
Total Education Stabilization Fund				378,019	464,621	86,602	
Title IV-A-Student Support and Academic Enrichment	84.424A	2022-133381-DPI-TIVA-381		4,484	5,969	1,485	
<u>Passed Through Oregon School District</u>							
Carl Perkins Act	84.048	2022-134144-DPI-CTE-400			19,085	19,085	
<u>Passed Through CESA #2</u>							
Title IIIA English Language Acquisition	84.365A	2022-749902-DPI-TIIIA-391			8,182	8,182	
Total United States Department of Education			(180,301)	1,124,977	1,650,256	705,580	141,579
<u>U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES</u>							
Passed through Wisconsin Department of Health Services:							
Medicaid Cluster:							
Medical Assistance Program - School Based Services	93.778	Not Available	(7,110)	354,800	351,437	3,747	
Total Medicaid Cluster			(7,110)	354,800	351,437	3,747	
Total United States Department of Health and Human Services			(7,110)	354,800	351,437	3,747	
Total Federal Awards			\$ (187,411)	\$ 2,791,618	\$ 3,313,534	\$ 709,327	\$ 141,579

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

Exhibit C-5  
School District of McFarland, Wisconsin  
Schedule of Expenditures of State Awards  
For the Year Ended June 30, 2022

Awarding Agency/ Pass-Through Agency Award Description	State I.D. Number	Pass Through Entity Number	(Receivable) June 30, 2021	Receipts		Receivable June 30, 2022	Passed Through to Subrecipients
				Grantor Reimbursements	Expenditures		
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>							
Special Education and School Age Parents:							
Direct State Payments	255.101	133381-100		\$ 2,110,095	\$ 2,110,095	\$	\$ 588,716
Passed through CESA #7	255.101	749907-100	\$ (193)	668	475		
Total Special Education and School Age Parents			(193)	2,110,763	2,110,570		588,716
State School Lunch Aid	255.102	133381-107		19,061	19,061		
Common School Fund Library Aid	255.103	133381-104		98,349	98,349		
Pupil Transportation Aid	255.107	133381-102		23,687	23,687		
General Aids Cluster:							
General Equalization Aids	255.201	133381-116	(321,338)	13,512,256	13,190,918		
Total General Aids Cluster			(321,338)	13,512,256	13,190,918		
High Cost Special Education Aid	255.210	133381-119		95,082	95,082		
Aid for School Mental Health Programs	255.227	133381-176			56,544	56,544	
Peer-to-Peer Suicide Prevention Grant	255.246	133381-183		1,000	1,000		
School Based Mental Health Services	255.297	133381-177			30,760	30,760	
Peer Review and Mentoring Grant	255.301	133381-141	(24,821)	24,821	25,000	25,000	
State School Breakfast Aid	255.344	133381-108		16,677	16,677		
Early College Credit Program	255.445	133381-178		225	225		
Educator Effectiveness Eval Sys Grant	255.940	133381-154			26,640	26,640	
Per Pupil Adjustment Aid	255.945	133381-113		1,698,438	1,698,438		
Assessment of Reading Readiness	255.956	133381-166		7,847	7,847		
Special Education Transition Incentive Grants	255.960	133381-168		15,303	15,303		
Total Wisconsin Department of Public Instruction			(346,352)	17,623,509	17,416,101	138,944	588,716
Total State Awards			\$ (346,352)	\$ 17,623,509	\$ 17,416,101	\$ 138,944	\$ 588,716

School District of McFarland  
Notes to the Schedules of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2022

---

NOTE 1

BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the School District of McFarland and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2

SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

Eligible costs under the State Special Education Program are \$5,600,917 for the year ended June 30, 2022. The 2022-2023 aid estimate is \$1,389,028.

NOTE 3

INDIRECT COST RATE

The District does not use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.



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

To the Board of Education  
School District of McFarland  
McFarland, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of McFarland (“District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District of McFarland’s basic financial statements, and have issued our report thereon dated November 17, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
November 17, 2022



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

To the Board of Education  
School District of McFarland  
McFarland, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited the School District of McFarland's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the State Single Audit Guidelines issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

### **Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
November 17, 2022



School District of McFarland  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

Internal Control over major programs:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555	Child Nutrition Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_   X   Yes \_\_\_\_\_ No

State Awards

Internal Control over major programs:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? \_\_\_\_\_ Yes   X   No

Identification of major programs:

255.101	Special Education and School Age Parents
255.102	Common School Fund Library Aid
255.201	General Equalization Aids Cluster

Dollar threshold used to distinguish between type A and type B programs: \$250,000

School District of McFarland  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2022

---

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Responses on Major Programs

None

Section IV – State Award Findings and Responses on Major Programs

None

School District of McFarland  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2022

---

Section VI – 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 costs, material weakness, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:

Department of Corrections	N/A
Department of Health Services	Yes
Department of Workforce Development	N/A
Department of Public Instruction	Yes
Department of Administration	N/A

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

  
\_\_\_\_\_  
Brent Nelson, CPA

5. Date of report: November 17, 2022

School District of McFarland  
Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2022

---

There were no prior year findings or questioned costs.