



**SCHOOL DISTRICT OF MCFARLAND**  
**FINANCIAL STATEMENTS**  
Including Independent Auditor's Report  
As of and for the Year Ended June 30, 2023

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

School District of McFarland  
June 30, 2023  
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 Balances – Governmental Funds.....	16
Exhibit A-6    Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	17
Notes to the Basic Financial Statements.....	18
Required Supplementary Information:	
Exhibit B-1    Budgetary Comparison Schedule for the General Fund .....	51
Exhibit B-2    Budgetary Comparison Schedule for the Special Education Fund.....	52
Exhibit B-3    Schedule of Changes in the District’s Total OPEB Liability and Related Ratios...	53
Exhibit B-4    Wisconsin Retirement System Schedules .....	54
Exhibit B-5    Local Retiree Life Insurance Fund Schedules.....	55
Notes to the Required Supplementary Information .....	56

School District of McFarland  
June 30, 2023  
Table of Contents (Continued)

---

Supplementary Information:

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds.....	62
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	63
Exhibit C-3	Schedule of Charter School Authorizer Operating Costs .....	64



## 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, 2023, 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, 2023, 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.

#### ***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 generally accepted auditing standards 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 generally accepted auditing standards 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 schedules, 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 and schedule of charter school authorizer operating costs 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 and schedule of charter school authorizer operating costs 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 will also issue a report 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 30, 2023

## MANAGEMENT DISCUSSION & ANALYSIS

**SCHOOL DISTRICT OF MCFARLAND**  
McFarland, Wisconsin  
Management Discussion & Analysis, June 30, 2023

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 \$80,061,473, including \$20,205,496 in local revenue, \$19,548,827 of state aid, \$4,689,467 of federal aid, \$35,516,665 of Inter-district payments, \$20,558 of Intermediate payments and \$80,460 of other services. Total governmental fund expenditures were \$78,504,523; including \$23,043,180 for direct instruction.

The following financial events took place during fiscal year (FY) 2023:

- 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 2023.
- The district balanced the FY Budget with Federal ESSER III funds.
- The district had slight enrollment decline between FY 2022 and FY 2023

**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, 2023

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, 2023

**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 FY23.

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2023

**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>2022</u>	<u>2023</u>	<u>\$ chg</u>
Current and other assets	\$ 16,039	\$ 17,524	\$ 1,485
Capital assets and net pension asset	92,299	80,833	(11,466)
Deferred outflows of resources	17,853	22,415	4,562
<b>Total Assets and Deferred Outflows of Resources</b>	<u>126,191</u>	<u>120,772</u>	<u>(5,419)</u>
Current and other liabilities	4,321	4,322	1
Other long-term obligations	63,442	65,892	2,450
Deferred inflows of resources	22,041	14,108	(7,933)
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>89,804</u>	<u>84,322</u>	<u>(5,482)</u>
Net position:			
Net investment in capital assets	24,559	24,536	(23)
Restricted	6,904	2,669	(4,235)
Unrestricted	4,924	9,245	4,321
<b>Total Net Position</b>	<u>\$ 36,387</u>	<u>\$ 36,450</u>	<u>\$ 63</u>

\*\*The net pension asset is not included in the unrestricted total for 2023. The WRS plan as a whole was underfunded as of 12/31/22, so it is now reported as a net pension liability as of 6/30/23 rather than a net pension asset like in the prior year.

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

	<u>2022</u>	<u>2023</u>	<u>\$ Chg</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 32,538	\$ 37,176	\$ 4,638
Operating grants & contributions	6,820	8,714	1,894
General Revenues			
Property taxes	18,321	17,499	(822)
State formula aid	14,998	16,144	1,146
Other	280	728	448
<b>Total Revenues</b>	<u>72,957</u>	<u>80,261</u>	<u>7,304</u>
<b>Expenses</b>			
Instruction	19,947	24,064	4,117
Pupil & Instructional Services	3,634	4,649	1,015
General Administration Services	669	563	(106)
Building Administration Services	1,801	2,232	431
Business Administration	5,087	5,854	767
Central Services	58	49	(9)
Insurance	273	294	21
Other Support Services	1,136	1,199	63
Food Services	655	783	128
Community Services	587	789	202
Interest on Debt	2,101	2,011	(90)
Purchased Instruction	30,341	34,075	3,734
Other Non-Program Transactions	605	810	205
Other	2,829	2,826	(3)
<b>Total Expenses</b>	<u>69,723</u>	<u>80,198</u>	<u>10,475</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 3,234</u>	<u>\$ 63</u>	<u>\$ (3,171)</u>

Note: totals may not add due to rounding.

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2023

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	
	2022	2023	2022	2023	2022	2023	2022	2023
<b>Expenses</b>								
Instruction	\$ 19,947	\$ 24,064	\$ 1,846	\$ 1,701	\$ 4,108	\$ 6,695	\$ 13,993	\$ 15,668
Pupil & Instructional Services	3,635	4,649	1	2	734	975	2,900	3,672
General Administration Services	669	563					669	563
Building Administration Services	1,801	2,232					1,801	2,232
Business Administration	5,088	5,854		16	127	85	4,961	5,753
Central Services	58	49					58	49
Insurance	273	294			31	31	242	263
Food Service	1,136	1,199	186	788	1,348	535	(398)	(124)
Other Support Services	655	783			15		640	783
Other	5,516	5,626	290	364	1		5,225	5,262
Purchased Instructional Services	30,341	34,075	29,626	33,529	450	391	265	155
Other Non-Program Transactions	605	810	589	776	6	1	10	33
<b>TOTAL EXPENSES</b>	<b>\$ 69,724</b>	<b>\$ 80,198</b>	<b>\$ 32,538</b>	<b>\$ 37,176</b>	<b>\$ 6,820</b>	<b>\$ 8,713</b>	<b>\$ 30,366</b>	<b>\$ 34,309</b>

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$80.2 million. Individuals who directly participated or benefited from a program offering paid for \$37.1 million of costs. Federal and state governments subsidized certain programs with grants and contributions of \$8.7 million. The net cost of governmental activities of \$34.3 million, with a \$3.9 million increase over the previous year.

The composition of governmental revenues by source is illustrated below:

<b>Governmental Revenue by Source</b>			
	2022	2023	\$ Chg
<b>Local</b>	\$ 19,804,985	\$ 20,205,496	\$ 400,511
<b>Interdistrict</b>	31,628,711	35,516,665	3,887,954
<b>Intermediate</b>	8,657	20,558	11,901
<b>State</b>	17,670,369	19,548,827	1,878,458
<b>Federal</b>	3,633,034	4,689,467	1,056,433
<b>Other</b>	82,238	80,460	(1,778)
<b>Total Revenue</b>	<b>\$ 72,827,994</b>	<b>\$ 80,061,473</b>	<b>\$ 7,233,479</b>

The composition of governmental expenditures by type is illustrated below:

<b>Governmental Expense by Type</b>			
	2022	2023	\$ Chg
<b>Instruction</b>	\$ 21,464,297	\$ 23,043,180	\$ 1,578,883
<b>Support Services</b>	19,178,735	20,576,804	1,398,069
<b>Non-Program Transactions</b>	30,946,199	34,884,539	3,938,340
<b>Total Expenses</b>	<b>\$ 71,589,231</b>	<b>\$ 78,504,523</b>	<b>\$ 6,915,292</b>

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2023

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

The district completed the year with a total governmental fund balance of \$16,722,718 compared to last year's ending fund balance of \$15,108,060.

**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 the 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 2022-23 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 2023, the district had invested approximately \$122.1 million in capital assets, including buildings, sites, and equipment (see Table 4 below). Total accumulated depreciation on these assets was \$41.4 million. Asset acquisitions for governmental activities totaled \$1.4 million. The district recognized depreciation total change of -3.0%. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

	Activities		Change
	2022	2023	22-23
<b>Land</b>	\$ 2,109	\$ 2,109	0.0%
<b>Buildings and Improvements</b>	106,174	106,600	0.4%
<b>Furniture and Equipment</b>	15,069	13,439	-10.8%
<b>Accumulated Depreciation</b>	(40,096)	(41,420)	3.3%
<b>Total</b>	\$ 83,256	\$ 80,728	-3.0%

**SCHOOL DISTRICT OF MCFARLAND**  
 McFarland, Wisconsin  
 Management Discussion & Analysis, June 30, 2023

**Long-term Debt**

At year-end, the district had \$69.4 million in notes payable and other long-term debt outstanding – an increase of \$2.5 million from fiscal year 2022. This increase resulted from required repayments of principal and net pension activity resulting in a liability for fiscal year 2023. (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		Total Change	Total % Change
	School District			
	2022	2023	22-23	22-23
General Obligation Debt	\$ 57,120	\$ 54,730	\$ 2,390	-4.2%
Lease Liability	187	123	64	-34.2%
Accrued interest on long-term debt	488	467	21	-4.3%
Bond Premium	1,558	1,444	114	-7.3%
Net Pension Liability		5,840	(5,840)	100.0%
Other post-retirement benefits	6,064	5,412	652	-10.8%
Compensated Absences	1,415	1,397	18	-1.3%
<b>TOTAL</b>	<b>\$ 66,832</b>	<b>\$ 69,413</b>	<b>\$ (2,581)</b>	<b>3.9%</b>

Note: totals may not add due to rounding.

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 slight decrease resident enrollment over the next few years.
- The number of students entering the district through open enrollment will increase as resident enrollment decreases as the School District will make available seats through the Open Enrollment process.
- District revenue has and will not keep pace with expenses due to high inflation, limited flexibility due to state-imposed revenue caps that had no inflationary adjustments for FY 22 and FY 23, and only 2.7% flexibility in FY 24.
- FY 23 and FY 24 expenditure growth will be offset by ESSER funds.
- The District will seek a Referendum to exceed the State Imposed Revenue Cap for FY 25, 26, 27 and 28 on a recurring basis.

**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, 2023

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 12,238,219
Taxes receivable	4,104,547
Prepaid expenses	51,804
Due from other governmental units	1,068,517
Other receivables	59,045
Inventory	1,467
Total current assets	17,523,599
Noncurrent assets:	
Capital assets:	
Property and equipment	122,147,947
Less: accumulated depreciation	(41,419,870)
Right to use leased assets	
Net accumulated amortization of \$209,940	104,539
Net book value of capital assets	80,832,616
Total non-current assets	80,832,616
Total assets	98,356,215
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension outflows	21,178,421
OPEB - District health insurance plan outflows	778,867
OPEB - group life insurance plan outflows	458,341
Total deferred outflows of resources	22,415,629
Total assets and deferred outflows of resources	\$ 120,771,844



Exhibit A-1 (Continued)  
School District of McFarland, Wisconsin  
Statement of Net Position  
June 30, 2023

	Governmental Activities
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 163,325
Accrued employee benefits payable	555,595
Accrued interest payable	467,086
Current portion of long-term obligations	3,054,205
Customer deposits	71,539
Due to other governments	10,422
Total current liabilities	4,322,172
Noncurrent liabilities:	
Bonds and notes payable, plus unamortized debt premiums of \$1,444,455	56,174,455
Lease liability	122,463
Compensated absences	1,396,937
Net pension liability	5,840,297
OPEB - District health insurance plan	4,388,710
OPEB - group life insurance plan	1,023,342
Less: current portion	(3,054,205)
Total noncurrent liabilities	65,891,999
Total liabilities	70,214,171
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension inflows	12,222,389
OPEB - District health insurance plan inflows	1,180,987
OPEB - group life insurance plan inflows	704,204
Total deferred inflows of resources	14,107,580
<b>NET POSITION</b>	
Net investment in capital assets	24,535,698
Restricted for:	
Food service	534,741
Get kids ahead initiative	50,374
Debt service	591,138
Community service	336,844
Capital projects	691,744
Special revenue fund	464,229
Unrestricted	9,245,325
Total net position	36,450,093
Total liabilities, deferred inflows of resources, and net position	\$ 120,771,844

Exhibit A-2  
School District of McFarland, Wisconsin  
Statement of Activities  
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 14,812,462	\$ 1,416,227	\$ 2,251,365	\$ 155,941	\$ (10,988,929)
Vocational education	1,097,130	22,799	29,964		(1,044,367)
Special education	5,543,496		3,780,149	10,340	(1,753,007)
Other instruction	2,610,717	262,089	466,862		(1,881,766)
Total instruction	<u>24,063,805</u>	<u>1,701,115</u>	<u>6,528,340</u>	<u>166,281</u>	<u>(15,668,069)</u>
Support services:					
Pupil services	2,197,037		214,305		(1,982,732)
Instructional staff services	2,452,159	2,050	760,975		(1,689,134)
General administration services	562,960				(562,960)
Building administration services	2,232,068				(2,232,068)
Business administration	5,854,453	16,404	64,859	19,839	(5,753,351)
Central services	49,277				(49,277)
Insurance	293,602		31,000		(262,602)
Food service	1,199,292	788,014	535,043		123,765
Other support services	783,401				(783,401)
Community services	788,686	363,734	350		(424,602)
Interest expense and fiscal charges	1,948,448				(1,948,448)
Amortization expense	62,989				(62,989)
Depreciation - unallocated	2,825,573				(2,825,573)
Total support services	<u>21,249,945</u>	<u>1,170,202</u>	<u>1,606,532</u>	<u>19,839</u>	<u>(18,453,372)</u>
Non-program transactions:					
Purchased instructional services	34,074,803	33,529,066	391,884		(153,853)
Post-secondary scholarships	4,500		1,000		(3,500)
Other non-program transactions	805,236	775,735			(29,501)
Total non-program transactions	<u>34,884,539</u>	<u>34,304,801</u>	<u>392,884</u>		<u>(186,854)</u>
Total governmental activities	<u>\$ 80,198,289</u>	<u>\$ 37,176,118</u>	<u>\$ 8,527,756</u>	<u>\$ 186,120</u>	<u>(34,308,295)</u>
General revenues:					
Property taxes					
General purposes					12,417,370
Debt services					4,300,244
Capital projects					249,000
Community services					532,402
Other taxes					2,717
Federal and State aid not restricted for specific purposes					
General					16,143,828
Interest and investment earnings					558,862
Gain (loss) on sale of fixed assets					86,322
Miscellaneous					80,460
Total general revenues					<u>34,371,205</u>
Change in net position					
					62,910
Net position - beginning					
					36,387,183
Net position - ending					
					<u>\$ 36,450,093</u>

Exhibit A-3  
School District of McFarland, Wisconsin  
Balance Sheet  
Governmental Funds  
June 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 9,062,023	\$ 3,176,196	\$ 12,238,219
Taxes receivable	4,104,547		4,104,547
Prepaid expenses	51,804		51,804
Accounts receivable	49,984	9,061	59,045
Due from other governments	1,049,147	19,370	1,068,517
Due from other funds	7,617		7,617
Inventory		1,467	1,467
Total assets	\$ 14,325,122	\$ 3,206,094	\$ 17,531,216
<b>LIABILITIES</b>			
Accounts payable	\$ 129,693	\$ 33,632	\$ 163,325
Accrued employee benefits payable	470,356		470,356
Accrued salaries and wages	71,540	13,699	85,239
Due to other funds		7,617	7,617
Due to other governments	10,422		10,422
Customer deposits	6,175	65,364	71,539
Total liabilities	688,186	120,312	808,498
<b>FUND BALANCES</b>			
Nonspendable	51,804	1,467	53,271
Restricted	50,374	3,084,315	3,134,689
Assigned	141,105		141,105
Unassigned	13,393,653		13,393,653
Total fund balances	13,636,936	3,085,782	16,722,718
Total liabilities and fund balances	\$ 14,325,122	\$ 3,206,094	\$ 17,531,216

Exhibit A-4  
School District of McFarland, Wisconsin  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
June 30, 2023

Total fund balances - governmental funds: \$ 16,722,718

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

Capital assets and right to use leased 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	122,147,947	
Governmental accumulated depreciation	(41,419,870)	
Right to use leased assets, net of accumulated amortization	104,539	80,832,616

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	22,415,629
Deferred inflows of resources	(14,107,580)

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	54,730,000	
Debt premiums	1,444,455	
Lease liability	122,463	
Accrued interest on long-term debt	467,086	
Net pension liability	5,840,297	
Compensated absences	1,396,937	
OPEB - District health insurance plan	4,388,710	
OPEB - group life insurance plan	1,023,342	(69,413,290)

Total net position - governmental activities \$ 36,450,093

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, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 12,420,087	\$ 5,081,646	\$ 17,501,733
Other local sources	967,992	1,735,771	2,703,763
Interdistrict sources	35,496,558	20,107	35,516,665
Intermediate sources	7,418	13,140	20,558
State sources	19,533,543	15,284	19,548,827
Federal sources	4,169,708	519,759	4,689,467
Other sources	52,868	27,592	80,460
Total revenues	<u>72,648,174</u>	<u>7,413,299</u>	<u>80,061,473</u>
<b>EXPENDITURES</b>			
Instruction:			
Regular instruction	14,165,636	50,097	14,215,733
Vocational instruction	1,021,774	16,850	1,038,624
Special instruction	5,259,140		5,259,140
Other instruction	2,073,378	456,305	2,529,683
Total instruction	<u>22,519,928</u>	<u>523,252</u>	<u>23,043,180</u>
Support services:			
Pupil services	2,082,014	4,750	2,086,764
Instructional staff services	2,391,624	5,130	2,396,754
General administration services	540,634	60	540,694
Building administration services	2,070,897	35,720	2,106,617
Business administration	5,727,432	97,717	5,825,149
Central services	47,021	2,328	49,349
Insurance	293,602		293,602
Food service		1,274,254	1,274,254
Community service		690,425	690,425
Principal and interest	81,745	4,342,144	4,423,889
Other support services	889,307		889,307
Total support services	<u>14,124,276</u>	<u>6,452,528</u>	<u>20,576,804</u>
Non-program transactions:			
Purchased instructional services	34,074,803		34,074,803
Post-secondary scholarships		4,500	4,500
Other non-program transactions	805,236		805,236
Total non-program transactions	<u>34,880,039</u>	<u>4,500</u>	<u>34,884,539</u>
Total expenditures	<u>71,524,243</u>	<u>6,980,280</u>	<u>78,504,523</u>
Excess (deficiency) of revenues over expenditures	<u>1,123,931</u>	<u>433,019</u>	<u>1,556,950</u>
<b>OTHER FINANCING SOURCES</b>			
Sale of capital assets	57,708		57,708
Total other financing sources	<u>57,708</u>		<u>57,708</u>
Net change in fund balances	1,181,639	433,019	1,614,658
Fund balances - beginning	12,455,297	2,652,763	15,108,060
Fund balances - ending	<u>\$ 13,636,936</u>	<u>\$ 3,085,782</u>	<u>\$ 16,722,718</u>

Exhibit A-6  
School District of McFarland, Wisconsin  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds		\$ 1,614,658
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>The acquisition of capital assets and 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 their estimated useful lives as annual depreciation and amortization expenses in the statement of activities.</p>		
Capital outlay reported in governmental fund statements and donated assets	1,464,096	
Depreciation expenses reported in the statement of activities	(3,988,320)	
Amortization expense reported in the statement of activities	(62,989)	
Amount by which capital/lease outlays are greater (less) than depreciation/amortization in the current period.		(2,587,213)
<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>		
		(3,886)
<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>		
Principal payments on lease liabilities		64,491
Principal payments on long-term debt		2,390,000
<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		(1,590,621)
<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		18,016
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		136,516
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(113,405)
<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	1,952,144	
The amount of interest accrued during the current period	(1,931,194)	
Interest paid is greater (less) than interest accrued by		20,950
Change in net position - governmental activities		\$ 62,910

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

School District of McFarland  
Index to the Notes to the Basic Financial Statements  
June 30, 2023

---

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.....	25
	F. Estimates .....	25
	G. Interfund Transactions.....	25
	H. Equity Classifications.....	25 – 26
	I. Pensions .....	27
	J. Deferred Outflows and Inflows of Resources.....	27
	K. Change in Accounting Principle .....	27
Note 2.	<u>Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements</u> .....	28
Note 3.	<u>Cash and Investments</u> .....	28 – 31
Note 4.	<u>Capital Assets</u> .....	32 – 33
Note 5.	<u>Long-Term Obligations</u>	
	A. Long-Term Notes Liability .....	33 - 34
	B. Employee Benefits.....	35
	C. Lease Liability .....	35
Note 6.	<u>Defined Benefit Pension Plan</u> .....	35 – 40
Note 7.	<u>Governmental Fund Balances</u> .....	41
Note 8.	<u>Risk Management</u> .....	41
Note 9.	<u>Limitation of School District Revenues</u> .....	41
Note 10.	<u>Interfund Balances and Activity</u> .....	42
Note 11.	<u>Other Postemployment Benefits – Single Employer Health Insurance Plan</u> .....	42 – 45
Note 12.	<u>Other Postemployment Benefits – Multiple Employer Life Insurance Plan</u> .....	45 – 49
Note 13.	<u>Charter Schools</u> .....	49
Note 14.	<u>Effect of New Accounting Standards on Current Period Financial Statements</u> .....	50
Note 15.	<u>Purchase Commitments/Subsequent Events</u> .....	50



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

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 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, 2023

---

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, 2023

---

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

*Nonmajor Funds*

The District reports the following nonmajor 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, 2023

---

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, 2023

---

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 nonmajor 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, 2023

---

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. 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, 2023

---

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 following:

- Net OPEB Liability,
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, and
- OPEB Expense (Revenue)

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of 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.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.”



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

*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.

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.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Pensions

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset),
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions,
- Pension Expense (Revenue).

Information about the fiduciary net position of the 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 benefit 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.

K. Change in Accounting Principle

Effective July 1, 2022, the District adopted GASB Statement No. 96 Subscription-Based Information Technology Arrangements. GASB 96 was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The District does not have any material SBITAs requiring disclosure in the financial statements.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

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 balances 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 Balances 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.

NOTE 3                    CASH AND INVESTMENTS

As previously discussed, cash for District funds is generally pooled for investment purposes. At June 30, 2023, the cash and investments included the following:

Account Balances	
Petty cash/cash on hand	\$ 3,900
Deposits with financial institutions	12,233,586
Local Government Investment Pool	733
Total	\$ 12,238,219
Per Statement of Net Position - Exhibit A-1:	
Cash and investments	\$ 12,238,219
Total cash and investments	\$ 12,238,219

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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.

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)	\$ 733	\$ 733

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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, 2023, 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.

*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, 2023, the District had \$13,613,140 of deposits with financial institutions. Of this amount, \$250,000 was insured by the FDIC and \$13,363,140 was collateralized with financial institutions.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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, 2023, 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, 2023 was: 98% in U.S. Government Securities and 2% in Bankers' Acceptances. 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.

Concentration of Credit Risk

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

At June 30, 2023, the District had \$13,613,140 deposited in one financial institution.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 4

CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Governmental Activities:				
<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	100,139,182	412,978		100,552,160
Land improvements	6,034,470	12,495		6,046,965
Furniture and equipment	15,069,157	1,038,623	(2,668,152)	13,439,628
Total capital assets, being depreciated	121,242,809	1,464,096	(2,668,152)	120,038,753
Total capital assets	123,352,003	1,464,096	(2,668,152)	122,147,947
Less accumulated depreciation:				
Buildings	26,228,907	2,922,450		29,151,357
Land improvements	2,494,520	170,905		2,665,425
Furniture and equipment	11,372,389	894,965	(2,664,266)	9,603,088
Total accumulated depreciation	40,095,816	3,988,320	(2,664,266)	41,419,870
Net capital assets being depreciated	83,256,187	(2,524,224)	(3,886)	80,728,077
Right to use leased assets being amortized:				
Copiers	296,278			296,278
Postage machine	18,201			18,201
Total right to use leased assets being amortized	314,479			314,479
Less accumulated amortization:				
Copiers	143,399	59,256		202,655
Postage machine	3,552	3,733		7,285
Total accumulated amortization	146,951	62,989		209,940
Net right to use leased assets being amortized	167,528	(62,989)		104,539
 Total net capital assets	 \$ 83,423,715	 \$ (2,587,213)	 \$ (3,886)	 \$ 80,832,616

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 729,162
Vocational instruction	12,721
Special instruction	1,551
Pupil services	9,489
Instructional staff services	1,183
Building administration	26,098
Business administration	382,150
Other support services	393
Depreciation not charged to a specific function	2,825,573
<b>Total depreciation for governmental activities</b>	<b><u><u>\$ 3,988,320</u></u></b>

Amortization expense was charged to governmental functions as follows:

Amortization not charged to a specific function	<b><u><u>\$ 62,989</u></u></b>
---	--------------------------------

Capital outlay was charged to governmental functions as follows:

Regular instruction	\$ 777,310
Special instruction	10,340
Vocational instruction	40,629
Instructional staff services	7,992
Building administration	68,216
Business administration	559,609
<b>Total capital outlay</b>	<b><u><u>\$ 1,464,096</u></u></b>

NOTE 5 LONG-TERM OBLIGATIONS

A. Long-term Notes Liability

Long-term liability balances and activity for the year ended June 30, 2023 were as follows:

	Beginning 7/1/2022	Increases	Decreases	Balance 6/30/2023	Current Portion
<b>Bonds and notes payable:</b>					
General obligation bonds and notes	\$ 57,120,000	\$	\$ (2,390,000)	\$ 54,730,000	\$ 2,585,000
Unamortized bond premium	1,557,859		(113,404)	1,444,455	
<b>Total bonds and notes payable</b>	<b><u>58,677,859</u></b>		<b><u>(2,503,404)</u></b>	<b><u>56,174,455</u></b>	<b><u>2,585,000</u></b>
<b>Other liabilities:</b>					
Lease liability	186,954		(64,491)	122,463	72,016
Compensated absences	1,414,953	429,687	(447,703)	1,396,937	397,189
<b>Total other liabilities</b>	<b><u>1,601,907</u></b>	<b><u>429,687</u></b>	<b><u>(512,194)</u></b>	<b><u>1,519,400</u></b>	<b><u>469,205</u></b>
<b>Per statement of net position</b>	<b><u>\$ 60,279,766</u></b>	<b><u>\$ 429,687</u></b>	<b><u>\$ (3,015,598)</u></b>	<b><u>\$ 57,693,855</u></b>	<b><u>\$ 3,054,205</u></b>



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Notes Liability (Continued)

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

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 1,931,194	\$ 1,952,144

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, 2023 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance
G.O. promissory notes	12/28/2016	3.0%	4/1/2026	\$ 3,750,000
G.O. improvement bonds	8/1/2017	2.5 - 5.0%	4/1/2037	37,295,000
G.O. improvement bonds	8/15/2019	3.0 - 4.0%	4/1/2038	13,685,000
Total general obligation bonds and notes				\$ 54,730,000

The 2022 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$2,141,492,274. The legal debt limit and margin of indebtedness as of June 30, 2023 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,141,492,274)	\$ 214,149,227
Deduct long-term debt applicable to debt margin	(54,730,000)
Margin of indebtedness	\$ 159,419,227

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2023 follows:

Year Ended June 30,	General Obligation Bonds and Notes		
	Principal	Interest	Total
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	3,520,000	1,398,044	4,918,044
2029 - 2033	16,605,000	5,592,344	22,197,344
2034 - 2038	22,950,000	2,521,231	25,471,231
Totals	\$ 54,730,000	\$ 16,370,594	\$ 71,100,594

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

**B. Employee Benefits**

Employee benefits at June 30, 2023 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, 2023. The estimated liability for earned benefits at June 30, 2023 is \$1,396,937, and is shown on the statement of net position. The District’s contributions are financed on a “pay-as-you-go” basis.

**C. Lease Liability**

Aggregate cash flow requirements for the retirement of the lease liability and interest at June 30, 2023 were as follows:

Year Ended			
June 30,	Principal	Interest	Total
2024	\$ 72,016	\$ 9,729	\$ 81,745
2025	47,580	1,930	49,510
2026	2,867	54	2,921
Totals	<u>\$ 122,463</u>	<u>\$ 11,713</u>	<u>\$ 134,176</u>

NOTE 6

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.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
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
2022	7.4	15.0

**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 \$1,305,210 in contributions from the employer.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution rates as of June 30, 2023 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.80%	6.80%
Protective with Social Security	6.80%	13.20%
Protective without Social Security	6.80%	18.10%

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

At June 30, 2023, the School District of McFarland reported a liability (asset) of \$5,840,297 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. 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, 2022, the School District of McFarland's proportion was 0.11024205%, which was an increase of 0.00013044% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School District of McFarland's recognized pension expense of \$2,973,317.

At June 30, 2023, 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	\$ 9,301,784	\$ (12,220,455)
Net differences between projected and actual earnings on pension plan investments	9,921,317	
Changes in assumptions	1,148,444	
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,874	(1,934)
Employer contributions subsequent to the measurement date	801,002	
Total	<u>\$ 21,178,421</u>	<u>\$ (12,222,389)</u>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$801,002 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, 2024. 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>Year Ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2024	\$ 339,454
2025	1,687,801
2026	1,731,855
2027	4,395,920
Total	<u>\$ 8,155,030</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2022
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. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

**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:

<b>Asset Allocation Targets and Expected Returns<sup>1</sup></b>			
<b>As of December 31, 2022</b>			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % <sup>2</sup>
Public Equity	48	7.6	5.0
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Total Core Fund <sup>3</sup>	115	7.4	4.8
Variable Fund Asset Class			
U.S. Equities	70		
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	5.1

<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%.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Single Discount Rate.** A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (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, 2022. 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.

**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)	\$ 19,383,756	\$ 5,840,297	\$ (3,476,440)

**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>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 7

GOVERNMENTAL FUND BALANCES

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

Nonspendable:	
General Fund:	
Prepayments	\$ 51,804
Food service:	
Inventory	1,467
Total nonspendable fund balance	<u>53,271</u>
Restricted:	
General fund - Get kids ahead	\$ 50,374
Debt service fund	1,058,224
Special revenue fund	464,229
Capital projects fund	691,744
Food service fund	533,274
Community service fund	336,844
Total restricted fund balance	<u>3,134,689</u>
Assigned:	
General Fund:	
Career and technical education incentive grant	90,472
Special education transition grant	42,633
Department of teaching and learning	8,000
Total assigned fund balance	<u>141,105</u>
Total governmental fund balances	<u>\$ 3,329,065</u>

NOTE 8

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 9

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.



School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 10 INTERFUND BALANCES AND ACTIVITY

The following is a schedule of interfund balances:

Receivable Fund	Payable Fund	Amount	Purpose
General	Package cooperative	\$ 7,617	Cash flow

\$3,679,088 was transferred to the special education fund from the general fund during the fiscal year ended June 30, 2023. 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 11 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 348 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.

**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 for a duration of 8 years, until retiree accepts employment in a WRS benefit eligible position, retiree receive unemployment insurance benefits from the District’s account, Medicare-eligibility or death; whichever should occur first.

**Support Staff:** At least age 57 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 retiree accepts employment in a WRS benefit eligible position, retiree receives unemployment insurance benefits from the District’s account, 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, ranging from \$1,000 to \$4,000 per year. These funds may be used for premiums only to remain on the District’s health plan or with another health plan outside the District.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

**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, 2022, 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	348
	409

**Total OPEB Liability** – The District’s total OPEB liability of \$4,388,710 was measured at June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

**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	2.50 percent
Salary increases	3 percent, average, including inflation
Discount rate	4.00 percent
Healthcare cost trend rates	7.00% in the first year, then 6.50% decreasing by 0.10% per year down to 4.50%, 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 S&P Municipal Bond 20 Year High Grade Index.

Mortality rates were based on the 2020 WRS Experience Tables for Active Employees and Healthy Retirees projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

The actuarial assumptions used in the June 30, 2022 valuation were based on an experience study conducted in 2021 using the Wisconsin Retirement System (WRS) experience from 2018-20.

**Changes in the Total OPEB Liability:**

	Total OPEB Liability
<b>Balance at 6/30/2021</b>	\$ 4,534,840
<b>Changes for the year:</b>	
Service cost	307,126
Interest	100,976
Changes of benefit terms	
Differences between expected and actual experience	202,529
Changes in assumptions or other inputs	(355,622)
Benefit payments	(401,139)
<b>Net Changes</b>	<b>(146,130)</b>
<b>Balance at 6/30/2022</b>	<b>\$ 4,388,710</b>

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

There were no changes of benefit terms as of June 30, 2023.

Changes of assumptions or other inputs resulted in a decrease in the total OPEB liability. These changes included updated WRS decrement assumptions, assumed discount rate, health care trend, and the assumed number of dependents covered under family coverage used in calculating the expected per capita claims cost.

***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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current discount rate:

		1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	6/30/2022	\$ 4,670,973	\$ 4,388,710	\$ 4,122,736

***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 (6.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.0 decreasing to 5.5 percent) than the current healthcare cost trend rates:

		1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
Total OPEB Liability	6/30/2022	\$ 4,192,925	\$ 4,388,710	\$ 4,617,638

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$277,882. At June 30, 2023 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	\$ 184,117	\$ 397,551
Changes of assumptions or other inputs	180,352	783,436
Contributions after the measurement date	414,398	
Total	\$ 778,867	\$ 1,180,987

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

\$414,398 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, 2024. 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:	
2024	\$ (130,220)
2025	(130,220)
2026	(130,220)
2027	(130,217)
2028	(114,234)
Thereafter	<u>(181,407)</u>
Total	<u>\$ (816,518)</u>

NOTE 12 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.

**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, 2023 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of Member Contribution

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

---

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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, 2022 are as listed below:

**Life Insurance  
Member Contribution Rates\***  
For the year ended December 31, 2022

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
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 \$5,389 in contributions from the employer.

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

At June 30, 2023, the School District of McFarland reported a liability (asset) of \$1,023,342 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022. 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, 2022, the District's proportion was 0.268606%, which was an increase of 0.009788% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$118,849.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

At June 30, 2023, 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	\$	\$ (100,152)
Net differences between projected and actual earnings on plan investments	19,203	
Changes in actuarial assumptions	367,665	(604,052)
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,724	
Employer contributions subsequent to the measurement date	2,749	
Totals	\$ 458,341	\$ (704,204)

\$2,749 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, 2024. 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>
2024	\$ (4,424)
2025	(13,423)
2026	(1,097)
2027	(51,189)
2028	(92,150)
Thereafter	(86,329)
Total	\$ (248,612)

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2022
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*:	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.76%
Salary Increases	
Wage Inflation:	3.00%
Seniority/Merit:	0.10% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

\*Based on the Bond Buyers GO Index.

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. The total OPEB liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 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</b>			
<b>Asset Allocation Targets and Expected Returns</b>			
<b>As of December 31, 2022</b>			
Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interm Credit	50%	2.45%
US Mortgages	Bloomberg US MBS	50%	2.83%
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 remained unchanged from the prior year at 2.30%.

School District of McFarland  
Notes to the Basic Financial Statements  
June 30, 2023

NOTE 12    OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

**Single Discount Rate.** A single discount rate of 3.76% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. 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 3.76 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 (2.76 percent) or 1-percentage-point higher (4.76 percent) than the current rate:

	<b>1% Decrease to Discount Rate (2.76%)</b>	<b>Current Discount Rate (3.76%)</b>	<b>1% Increase to Discount Rate (4.76%)</b>
District's proportionate share of the net OPEB liability (asset)	\$ 1,395,219	\$ 1,023,342	\$ 738,342

NOTE 13    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 \$34,304,801 for the school year ended June 30, 2023. 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, 2023

---

NOTE 13 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for periods beginning after June 15, 2023, and GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023. When these become effective, application of these standards may restate portions of these financial statements.

NOTE 14 PURCHASE COMMITMENTS/SUBSEQUENT EVENTS

Prior to June 30, 2023, the District approved a Joint Solar Project Lease agreement with the Village of McFarland and related sublease agreement with the Wisconsin Power and Light Company. As of November 30, 2023, no related costs have been incurred.

Prior to June 30, 2023, the District approved an agreement with the Village of McFarland where the Village and District will share in the costs of an Inclusive Park Project located on the District's property at the Waubesa Intermediate School. As of November 30, 2023, no project costs have been approved.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1  
School District of McFarland, Wisconsin  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances-	
				Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>REVENUES</b>					
Property taxes	\$ 12,417,370	\$ 12,417,370	\$ 12,420,087	\$ 2,717	\$ 2,717
Other local sources	307,520	307,520	967,992	660,472	660,472
Interdistrict sources	25,600,000	25,600,000	35,496,558	9,896,558	9,896,558
Intermediate sources		37,098	7,418	7,418	(29,680)
State sources	16,521,085	16,627,087	16,725,358	204,273	98,271
Federal sources	2,056,240	2,697,477	2,843,579	787,339	146,102
Other sources	38,000	38,000	52,868	14,868	14,868
Total revenues	<u>56,940,215</u>	<u>57,724,552</u>	<u>68,513,860</u>	<u>11,573,645</u>	<u>10,789,308</u>
<b>EXPENDITURES</b>					
Instruction:					
Undifferentiated curriculum	8,123,119	8,180,572	7,874,654	248,465	305,918
Regular curriculum	6,169,964	6,343,762	6,290,982	(121,018)	52,780
Vocational instruction	1,047,522	1,047,522	1,021,774	25,748	25,748
Physical curriculum	761,440	761,440	798,817	(37,377)	(37,377)
Co-curricular activities	873,312	873,312	1,072,207	(198,895)	(198,895)
Gifted and talented	207,644	207,644	202,354	5,290	5,290
Total instruction	<u>17,183,001</u>	<u>17,414,252</u>	<u>17,260,788</u>	<u>(77,787)</u>	<u>153,464</u>
Support services:					
Pupil services	1,287,423	1,429,934	1,158,796	128,627	271,138
Instructional staff services	1,777,204	2,138,110	2,064,004	(286,800)	74,106
General administration services	548,290	548,290	540,634	7,656	7,656
Building administration services	2,016,902	2,018,402	2,070,897	(53,995)	(52,495)
Business administration	5,047,404	5,047,404	5,539,814	(492,410)	(492,410)
Central services	66,000	66,000	47,021	18,979	18,979
Insurance	265,000	265,000	262,602	2,398	2,398
Principal and interest	151,346	151,346	81,745	69,601	69,601
Other support services	934,154	934,154	889,307	44,847	44,847
Total support services	<u>12,093,723</u>	<u>12,598,640</u>	<u>12,654,820</u>	<u>(561,097)</u>	<u>(56,180)</u>
Non-program transactions:					
Purchased instructional services	23,668,941	23,905,937	33,765,336	(10,096,395)	(9,859,399)
Other non-program transactions			29,897	(29,897)	(29,897)
Total non-program transactions	<u>23,668,941</u>	<u>23,905,937</u>	<u>33,795,233</u>	<u>(10,126,292)</u>	<u>(9,889,296)</u>
Total expenditures	<u>52,945,665</u>	<u>53,918,829</u>	<u>63,710,841</u>	<u>(10,765,176)</u>	<u>(9,792,012)</u>
Excess (deficiency) of revenues over expenditures	<u>3,994,550</u>	<u>3,805,723</u>	<u>4,803,019</u>	<u>808,469</u>	<u>997,296</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to other funds	(3,994,550)	(3,994,550)	(3,679,088)	315,462	315,462
Sale of capital assets			57,708	57,708	57,708
Total other financing sources (uses)	<u>(3,994,550)</u>	<u>(3,994,550)</u>	<u>(3,621,380)</u>	<u>373,170</u>	<u>373,170</u>
Net change in fund balance		(188,827)	1,181,639	1,181,639	1,370,466
Fund balance - beginning	12,455,297	12,455,297	12,455,297		
Fund balance - ending	<u>\$ 12,455,297</u>	<u>\$ 12,266,470</u>	<u>\$ 13,636,936</u>	<u>\$ 1,181,639</u>	<u>\$ 1,370,466</u>

Exhibit B-2  
School District of McFarland, Wisconsin  
Budgetary Comparison Schedule for the Special Education Fund  
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances-	
	Original	Final		Original	Final
				to Actual	to Actual
<b>REVENUES</b>					
State sources	\$ 1,800,000	\$ 1,830,573	\$ 2,808,185	\$ 1,008,185	\$ 977,612
Federal sources	1,625,990	1,510,970	1,326,129	(299,861)	(184,841)
Total revenues	<u>3,425,990</u>	<u>3,341,543</u>	<u>4,134,314</u>	<u>708,324</u>	<u>792,771</u>
<b>EXPENDITURES</b>					
Instruction:					
Special education curriculum	5,607,238	5,501,558	5,259,140	348,098	242,418
Support services:					
Pupil services	801,839	842,112	923,218	(121,379)	(81,106)
Instructional staff services	348,877	376,937	327,620	21,257	49,317
Business administration	276,586	224,486	187,618	88,968	36,868
Insurance	31,000	31,000	31,000		
Total support services	<u>1,458,302</u>	<u>1,474,535</u>	<u>1,469,456</u>	<u>(11,154)</u>	<u>5,079</u>
Non-program transactions:					
Purchased instructional services	355,000	360,000	309,467	45,533	50,533
Other non-program transactions			775,339	(775,339)	(775,339)
Total non-program transactions	<u>355,000</u>	<u>360,000</u>	<u>1,084,806</u>	<u>(729,806)</u>	<u>(724,806)</u>
Total expenditures	<u>7,420,540</u>	<u>7,336,093</u>	<u>7,813,402</u>	<u>(392,862)</u>	<u>(477,309)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,994,550)</u>	<u>(3,994,550)</u>	<u>(3,679,088)</u>	<u>315,462</u>	<u>315,462</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	<u>3,994,550</u>	<u>3,994,550</u>	<u>3,679,088</u>	<u>(315,462)</u>	<u>(315,462)</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, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 307,126	\$ 300,368	\$ 295,507	\$ 274,509
Interest	100,976	101,420	160,216	168,736
Changes in benefit terms				
Differences between expected and actual experience	202,529		(285,115)	
Changes of assumptions or other inputs	(355,622)		187,009	69,686
Benefit payments	(401,139)	(448,658)	(411,497)	(479,450)
Net change in total OPEB	(146,130)	(46,870)	(53,880)	33,481
Total OPEB Liability- Beginning	4,534,840	4,581,710	4,635,590	4,602,109
Total OPEB Liability- Ending	<u>\$ 4,388,710</u>	<u>\$ 4,534,840</u>	<u>\$ 4,581,710</u>	<u>\$ 4,635,590</u>
<b>Covered Employee Payroll</b>	<u>\$ 19,507,794</u>	<u>\$ 16,895,231</u>	<u>\$ 16,895,231</u>	<u>\$ 16,701,426</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	22.50%	26.84%	27.12%	27.76%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
<b>Total OPEB Liability</b>				
Service cost	\$ 325,357	\$ 351,510	\$ 351,510	
Interest	193,959	169,974	169,797	
Changes in benefit terms				
Differences between expected and actual experience	(348,696)			
Changes of assumptions or other inputs	(726,367)	(159,857)		
Benefit payments	(442,276)	(503,067)	(527,734)	
Net change in total OPEB	(998,023)	(141,440)	(6,427)	
Total OPEB Liability- Beginning	5,600,132	5,741,572	5,747,699	
Total OPEB Liability- Ending	<u>\$ 4,602,109</u>	<u>\$ 5,600,132</u>	<u>\$ 5,741,272</u>	
<b>Covered Employee Payroll</b>	<u>\$ 16,701,426</u>	<u>\$ 13,941,569</u>	<u>\$ 13,941,569</u>	
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	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, 2023

**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)
2022	0.11024205%	\$ 5,840,297	\$ 20,080,126	29.08%	95.72%
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
2023	\$ 1,381,349	\$ (1,381,349)	\$	\$ 20,707,830	6.67%
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, 2023

**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)
2022	0.26860600%	\$ 1,023,342	\$ 14,697,000	6.96%	38.81%
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
2023	\$ 5,481	\$ (5,481)	\$	\$ 13,955,000	0.04%
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, 2023

---

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, 2023:

<u>Fund</u>	<u>Excess Expenditures</u>
General fund:	
Support services	\$ 56,180
Non-program transactions	9,889,296
Special Education:	
Non-program transactions	724,806



School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2023

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	\$ 68,513,860	\$ 4,134,314
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	4,134,314	(4,134,314)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 72,648,174	\$ _____
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 63,710,841	\$ 7,813,402
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	7,813,402	(7,813,402)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 71,524,243	\$ _____

School District of McFarland  
Notes to the Required Supplementary Information  
June 30, 2023

---

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 1 preceding year.

**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, 2023

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

<b>Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:</b>					
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Valuation Date:	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
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%	5.4%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.0%	7.0%	7.0%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.0%	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%	1.9%	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 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.
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 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%).
*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, 2023

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

<b>Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Valuation Date:	December 31, 2015	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	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:	5.5%	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.2%	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Salary Increases</b>					
Wage Inflation:	3.2%	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%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	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 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 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 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 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, 2023

---

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 4 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 3 preceding years.

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

*Changes of assumptions.* Changes of assumptions or other inputs resulted in a decrease in the total OPEB liability. These changes included updated WRS decrement assumptions, assumed discount rate, health care trend, and the assumed number of dependents covered under family coverage used in calculating the expected per capita claims cost.

*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, 2023

	Debt Service	Capital Projects	Food Service	Package Cooperative	Special Revenue Fund	Community Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 1,058,224	\$ 691,744	\$ 564,277	\$	\$ 464,164	\$ 397,787	\$ 3,176,196
Accounts receivable			1,126		2,200	5,735	9,061
Due from other government			11,753	7,617			19,370
Inventory			1,467				1,467
Total assets	<u>\$ 1,058,224</u>	<u>\$ 691,744</u>	<u>\$ 578,623</u>	<u>\$ 7,617</u>	<u>\$ 466,364</u>	<u>\$ 403,522</u>	<u>\$ 3,206,094</u>
<b>LIABILITIES</b>							
Accounts payable	\$	\$	\$ 695	\$	\$ 2,135	\$ 30,802	\$ 33,632
Accrued salaries and wages			2,134			11,565	13,699
Due to other funds				7,617			7,617
Customer deposits			41,053			24,311	65,364
Total liabilities			<u>43,882</u>	<u>7,617</u>	<u>2,135</u>	<u>66,678</u>	<u>120,312</u>
<b>FUND BALANCES</b>							
Nonspendable			1,467				1,467
Restricted	1,058,224	691,744	533,274		464,229	336,844	3,084,315
Total fund balances	<u>1,058,224</u>	<u>691,744</u>	<u>534,741</u>		<u>464,229</u>	<u>336,844</u>	<u>3,085,782</u>
Total liabilities and fund balances	<u>\$ 1,058,224</u>	<u>\$ 691,744</u>	<u>\$ 578,623</u>	<u>\$ 7,617</u>	<u>\$ 466,364</u>	<u>\$ 403,522</u>	<u>\$ 3,206,094</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, 2023

	Debt Service	Capital Projects	Food Service	Package Cooperative	Special Revenue Fund	Community Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 4,300,244	\$ 249,000	\$	\$	\$	\$ 532,402	\$ 5,081,646
Other local sources		13,637	788,014		570,036	364,084	1,735,771
Interdistrict payments				20,107			20,107
Intermediate payments				13,140			13,140
State sources			15,284				15,284
Federal sources			519,759				519,759
Other sources		22,699	4,640			253	27,592
<b>Total revenues</b>	<b>4,300,244</b>	<b>285,336</b>	<b>1,327,697</b>	<b>33,247</b>	<b>570,036</b>	<b>896,739</b>	<b>7,413,299</b>
<b>EXPENDITURES</b>							
Instruction:							
Regular instruction					50,097		50,097
Vocational instruction				13,439	3,411		16,850
Other instruction				12,465	443,840		456,305
<b>Total instruction</b>				<b>25,904</b>	<b>497,348</b>		<b>523,252</b>
Support services:							
Pupil services					4,750		4,750
Instructional staff services				5,130			5,130
General administration services						60	60
Building administration					35,720		35,720
Business administration		24,900				72,817	97,717
Central services				2,213	115		2,328
Food services			1,274,254				1,274,254
Community services						690,425	690,425
Principal and interest	4,342,144						4,342,144
<b>Total support services</b>	<b>4,342,144</b>	<b>24,900</b>	<b>1,274,254</b>	<b>7,343</b>	<b>40,585</b>	<b>763,302</b>	<b>6,452,528</b>
Non-program transactions:							
Post-secondary scholarships					4,500		4,500
<b>Total expenditures</b>	<b>4,342,144</b>	<b>24,900</b>	<b>1,274,254</b>	<b>33,247</b>	<b>542,433</b>	<b>763,302</b>	<b>6,980,280</b>
Excess (deficiency) of revenues over expenditures	(41,900)	260,436	53,443		27,603	133,437	433,019
<b>Net change in fund balances</b>	<b>(41,900)</b>	<b>260,436</b>	<b>53,443</b>		<b>27,603</b>	<b>133,437</b>	<b>433,019</b>
Fund balances - beginning	1,100,124	431,308	481,298		436,626	203,407	2,652,763
<b>Fund balances - ending</b>	<b>\$ 1,058,224</b>	<b>\$ 691,744</b>	<b>\$ 534,741</b>	<b>\$</b>	<b>\$ 464,229</b>	<b>\$ 336,844</b>	<b>\$ 3,085,782</b>



Exhibit C-3  
 School District of McFarland, Wisconsin  
 Schedule of Charter School Authorizer Operating Costs  
 Fiscal Year Ending June 30, 2023

OPERATING ACTIVITY	WUFUR OBJECT CODE	COST
Employee Salaries	100	\$ 39,829
Employee Benefits	200	4,254
Purchased Services	300	
Non-Capital Objects	400	
Capital Objects	500	
Insurance & Judgements	700	
Dues & Fees	900	
<b>Total</b>		<b>\$ 44,083</b>