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DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2023

DEFOREST AREA SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
DeForest Area School District
DeForest, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeForest Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the DeForest Area School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 DeForest Area School District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Controller 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 DeForest Area School 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

DeForest Area School District's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 DeForest Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 DeForest Area School 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DeForest Area School 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 on pages iv through xiv, and the Required Supplementary Information on pages 50 through 62 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 financial statements that collectively comprise the DeForest Area School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the DeForest Area School 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 DeForest Area School 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 DeForest Area School District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
December 13, 2023

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The Management's Discussion and Analysis of the DeForest Area School District's 2022-2023 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 follows this section.

Financial Highlights

The District's overall financial position, as reflected in total net position, increased by \$1,714,857.

Total District revenues on the Statement of Activities were \$72,519,670 including \$34,422,527 of property taxes and \$25,781,071 of federal and state aid not restricted for a specific purpose. Total District expenditures were \$70,804,814; including \$33,903,108 for direct instruction.

The following events took place during fiscal 2022-2023:

- At the end of the current fiscal year, fund balance for the general fund was approximately \$22.1 million. \$275,560 of that amount was restricted for self-funded insurance, \$14,545 was restricted for common school fund, \$73,288 was restricted for Get Kids Ahead Initiative program, \$161,278 of that amount was assigned for programs. The fund balance of Total Governmental Funds was approximately \$30.9 million. The breakdown of the \$30.9 million is as follows:

\$ 22.1 million General Fund
\$ 3.8 million Debt Service Fund
\$ 5.0 million Nonmajor Governmental Funds

- Total unassigned Governmental Funds fund balance as of the end of the fiscal year is 27.9% of total expenditures.
- The 2022 tax levy increased 1.6 % from the prior year from a total levy of \$33,882,597 to \$34,422,527.
- The District continued to allocate funds for Other Post Employment Benefit (OPEB) during the 2022-2023 fiscal year. The District's 2022-2023 contribution was \$638,189.
- The District did not have a need to borrow short-term for cash-flow purposes due to the District's commitment to maintaining an appropriate fund balance. The District is able to avoid interest expense related to short-term borrowing.
- Instructional costs represent the single largest cost for the General Fund at 55% or \$31,232,490.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 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 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.

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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 <ul style="list-style-type: none"> • Other Post Employment Benefits.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position. • Statement of Changes in Fiduciary Net Position.
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 and liability information	All assets and liabilities; both financial and capital, short-term and long-term	General assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term 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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND 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 deferred outflow, liabilities and deferred inflows 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, are 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 has 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 has 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 that 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 funds 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 funds 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 Other Post-Employment Benefits trust. 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.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Financial Analysis of the District as a Whole

Table 1 provides a summary of the District's net position for the years ended June 30, 2023 and 2022.

Table 1		
Condensed Statement of Net Position		
	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 36,304,813	\$ 43,252,951
Capital assets (less depreciation)	202,972,696	200,893,505
Other assets	-	12,369,618
Total assets	\$ 239,277,509	\$ 256,516,074
Deferred outflows of resources	\$ 35,250,997	\$ 28,138,606
Liabilities		
Current liabilities	\$ 14,247,799	\$ 16,728,551
Non-current liabilities	147,853,618	147,214,471
Total liabilities	\$ 162,101,417	\$ 163,943,022
Deferred inflows of resources	\$ 19,768,513	\$ 29,767,939
Net Position		
Net investment in capital assets	\$ 61,729,105	\$ 56,162,709
Restricted	8,055,542	21,560,826
Unrestricted	22,873,929	13,220,184
Total net position	\$ 92,658,576	\$ 90,943,719

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Financial Analysis of the District as a Whole (Continued)

Table 2 provides summarized operating results and their impact on Net Position.

Table 2		
Change in Net Position from Operating Results		
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 3,253,844	\$ 1,921,268
Operating grants and contributions	7,918,930	7,722,376
General revenues:		
Property taxes	34,422,527	33,882,597
State formula aid	25,781,071	24,753,259
Other	1,143,299	605,910
Special item	-	19,198
Total revenues	72,519,671	68,904,608
Expenses		
Instruction	33,903,108	27,994,647
Support Services:		
Pupil & instructional services	8,681,147	7,670,863
Building and general administration	3,199,719	3,399,760
Business administration and central services	13,396,043	14,460,427
Transportation and insurance	2,561,805	2,408,266
Food service	2,084,921	1,851,770
Debt service and other support services	4,411,208	4,642,324
Community services	183,729	171,640
Other	126,803	33,599
Non-program Services	2,256,331	2,345,822
Total expenses	70,804,814	64,979,118
Increase (decrease) in net position	\$ 1,714,857	\$ 3,925,490

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

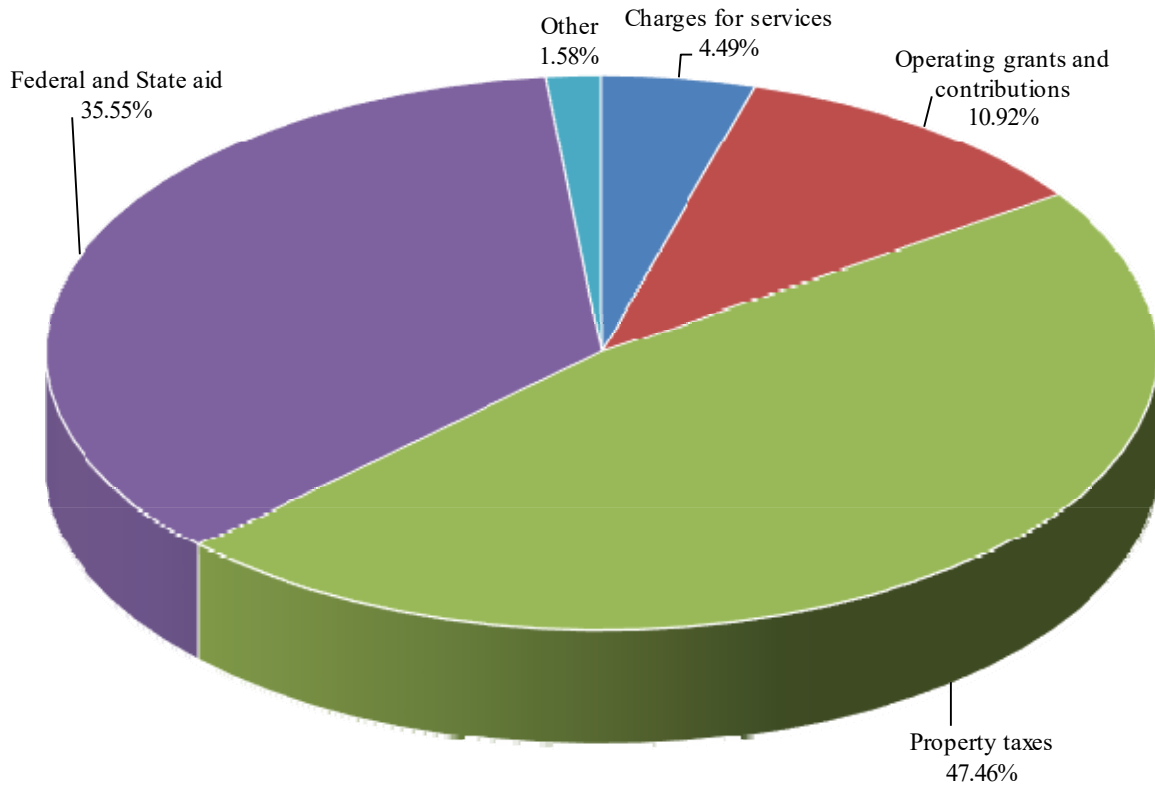
Financial Analysis of the District as a Whole (Continued)

The District relies primarily on property taxes and state formula aid to fund governmental activities. The District received \$72.5 million in revenue for fiscal year 2023 for Governmental Activities with 47.5% from property taxes and 35.6% from general federal and state aid. The remaining 16.9% of revenue came from charges for services, operating grants and contributions, and other.

The District received \$3.25 million in open enrollment, textbook and activity fees, admissions to athletic events, food service payments and building rental fees. This revenue came directly from individuals who participated or benefited from a specific program.

Federal and state government subsidized District programs with grants and contributions totaling \$7.92 million. The aid the District received for special education, transportation, and food service programs, as well as other instructional and support programs are included here.

Revenues by Source 2022-23



DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Financial Analysis of the District as a Whole (Continued)

Table 3 presents the cost of the nine categories of 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.

Table 3
Net Cost of Governmental Activities

	Net Cost of Services 2023	Percent of Services 2023	Net Cost of Services 2022	Percent of Services 2022
Instruction	\$ 26,140,175	43.8%	\$ 21,895,476	39.6%
Support Services:				
Pupil & instructional services	7,599,822	12.7%	6,814,907	12.3%
Building and general administration	3,199,719	5.4%	3,399,760	6.1%
Business administration and central services	13,316,063	22.3%	14,424,422	26.1%
Transportation	1,840,323	3.1%	1,849,206	3.3%
Food services	157,633	0.3%	(619,201)	-1.1%
Debt service and other support services	4,538,011	7.6%	4,675,923	8.5%
Community services	29,488	0.0%	72,592	0.1%
Other	567,429	1.0%	489,562	0.9%
Non-program Services	2,243,377	3.8%	2,332,827	4.2%
	<u>\$ 59,632,040</u>	<u>100.0%</u>	<u>\$ 55,335,474</u>	<u>100.0%</u>

The cost of all governmental activities this year was \$70,804,814. Individuals who directly participated or benefited from a program offering paid for \$3,253,844 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$7,918,930. The net cost of governmental activities \$59,632,040 was financed by general revenues of the District including \$34,422,527 in property taxes, \$25,781,071 state formula aid, and \$1,143,299 other.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Financial Aspects of the District's Funds

- The general fund had a total increase in fund balance of \$190,002 and as of June 30, 2023 has a balance of \$22,101,147. The unassigned fund balance increased by \$2,814,215. Assigned fund balance decreased by \$2,653,260. Restricted fund balance increased by \$17,162. Non-spendable fund balance increased by \$11,885.
- The debt service fund had an increase to fund balance of \$1,144,413 and as of June 30, 2023 has a balance of \$3,787,156.
- The capital projects fund had a decrease to fund balance of \$3,220,262 and as of June 30, 2023 has a balance of \$0.
- The capital improvement trust fund had a decrease to fund balance of \$2,345,539 and as of June 30, 2023 has a balance of \$1,189,919.
- The capital expansion fund had an increase to fund balance of \$55,109 and as of June 30, 2023 has a balance of \$2,484,469.
- The food service fund balance for 2022-23 showed a decrease of \$115,005 and as of June 30, 2023 has a balance of \$432,605.
- The OPEB (Other Post Employee Benefits) Liability net position increased by \$58,562 and as of June 30, 2023 has a balance of \$3,947,553.

General Fund Budgetary Highlights

Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of state aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2022-23 to reflect:

- The General Fund revenue budget saw an increase of \$1,605,211. The Special Education revenue budget increased by \$466,192.
- The General Fund expenditure budget saw an increase of \$407,141. The Special Education expenditure budget increased by \$713,711.
- The Capital Projects Fund revenue budget remained the same and expenditure budget increased \$2,930,343.
- The Food Service Fund revenue budget remained the same and expenditure budget increase by \$14,174.
- Post-Retirement Fund 73 revenue budget saw an increase of \$397,656 and the expenditure budget decreased by \$76,715.
- The Cooperative Programs Fund revenue budget saw an increase of \$12,025 and the expenditure budget increased by \$14,147.
- The rest of the fund budget, fund 80, revenue budget remained the same and expenditures budgets increased \$2,392.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Capital Assets

At the end of fiscal year 2023, the District had invested \$202,972,696 in capital assets (net of accumulated depreciation); including buildings, sites and equipment (see Table 4). Total accumulated depreciation on assets was \$41,764,840. Asset acquisitions for governmental activities totaled \$6,794,278, which includes construction of High School, Middle School, and Yahara Elementary School. The District recognized depreciation expense of \$4,715,087 for the year. (Detailed information about capital assets can be found in Note 6 to the financial statements.)

Table 4
Capital Assets
(Net of depreciation)

	2023	2022
Land	\$ 10,595,522	\$ 10,519,622
Buildings	220,615,509	150,248,718
Land improvements	3,727,987	3,727,987
Equipment and vehicles	9,533,518	7,659,695
Construction in progress	265,000	65,787,236
Accumulated depreciation	(41,764,840)	(37,049,753)
Net capital assets	\$ 202,972,696	\$ 200,893,505

Long-term Liabilities

At year-end the District had \$133,498,000 in general obligation bonds/notes. Payments were made for a total of \$6,140,000 to general obligation debt. Detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table 5
Outstanding Long-term Obligations

	2023	2022
General Obligation Bonds/Notes	\$ 133,498,000	\$ 139,638,000
Compensated Absences	3,010,120	2,874,053
Financed Purchase Arrangements	52,930	148,211
Premium/Discount on Debt	7,692,660	8,168,553
Net Long Term Obligations	\$ 144,253,710	\$ 150,828,817

General Obligation Bonds of the District are 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.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Factors Bearing on the District's Future

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

- The Federal ESSER grant dollars are expected to be fully expended during the 2023-24 fiscal year. The District will need to either make reductions for the recurring costs these funds are utilized for or seek alternative funding.

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 Kathleen Davis-Phillips, Director of Business & Auxiliary Services, DeForest Area School District, 500 S Cleveland Ave., DeForest, Wisconsin 53532.

BASIC FINANCIAL STATEMENTS

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF NET POSITION
June 30, 2023**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 18,580,734
Restricted Cash and Investments	7,893,688
Receivables:	
Taxes	7,816,447
Accounts	83,258
Prepaid Expenses	138,867
Due from Other Governments	1,773,038
Inventories	18,781
Total Current Assets	36,304,813
Noncurrent Assets:	
Land	10,595,522
Construction in Progress	265,000
Land Improvements	3,727,987
Buildings	220,615,509
Equipment and Vehicles	9,533,518
Less: Accumulated Depreciation	(41,764,840)
Net Capital Assets	202,972,696
Total Assets	239,277,509
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Refunding	1,120,115
Deferred OPEB Outflows - Health Plan	2,150,142
Deferred OPEB Outflows - Group Life Insurance Plan	1,023,559
Deferred Pension Outflows	30,957,181
Total Deferred Outflows of Resources	35,250,997

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF NET POSITION
June 30, 2023**

	Governmental Activities
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 908,749
Accrued Liabilities:	
Payroll and Related Items	4,469,260
Interest	1,037,230
Due to Other Governments	290
Food Service Deposits	75,046
Current Portion of Long-Term Obligations	7,757,224
Total Current Liabilities	14,247,799
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Obligations	136,496,486
Net Pension Liability	8,493,942
Net OPEB Liability - Health Plan	920,632
OPEB Liability - Group Life Insurance Plan	1,942,558
Total Noncurrent Liabilities	147,853,618
Total Liabilities	162,101,417
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB Inflows - Health Plan	547,428
Deferred OPEB Inflows - Group Life Insurance Plan	1,338,998
Deferred Pension Inflows	17,882,087
Total Deferred Inflows of Resources	19,768,513
NET POSITION	
Net Investment in Capital Assets	61,729,105
Restricted:	
Capital Projects	3,674,388
Debt Service	2,749,925
Food Service	411,664
Donations	827,929
Self-funded Insurance	275,560
Unspent Common School Fund	14,545
Community Service	28,243
Unspent Get Kids Ahead Initiative Grant Funds	73,288
Unrestricted	22,873,929
Total Net Position	\$ 92,658,576

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL
DISTRICT DEFOREST, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular Instruction	\$ 20,962,510	\$ 1,827,176	\$ 1,549,086	\$ (17,586,248)
Vocational Instruction	1,541,496	-	11,153	(1,530,343)
Special Education Instruction	8,286,845	30,000	4,048,299	(4,208,546)
Other Instruction	3,112,257	177,092	120,127	(2,815,038)
Total Instruction	<u>33,903,108</u>	<u>2,034,268</u>	<u>5,728,665</u>	<u>(26,140,175)</u>
Support Services				
Pupil Services	3,552,465	250	424,633	(3,127,582)
Instructional Staff Services	5,128,682	-	656,442	(4,472,240)
General Administration Services	694,312	-	-	(694,312)
Building Administration Services	2,505,407	-	-	(2,505,407)
Business Administration	602,540	-	-	(602,540)
Operation and Maintenance	10,870,613	-	18,184	(10,852,429)
Pupil Transportation	1,994,376	14,618	139,435	(1,840,323)
Central Services	1,922,890	-	61,796	(1,861,094)
Insurance	567,429	-	-	(567,429)
Interest and Fiscal Charges on Debt	4,411,208	-	-	(4,411,208)
Other Support Services	126,803	-	-	(126,803)
Food Services	2,084,921	1,040,917	886,371	(157,633)
Community Services	183,729	154,191	50	(29,488)
Total Support Services	<u>34,645,375</u>	<u>1,209,976</u>	<u>2,186,911</u>	<u>(31,248,488)</u>
Non-program Services	<u>2,256,331</u>	<u>9,600</u>	<u>3,354</u>	<u>(2,243,377)</u>
Total Governmental Activities	<u>\$ 70,804,814</u>	<u>\$ 3,253,844</u>	<u>\$ 7,918,930</u>	<u>(59,632,040)</u>

General revenues:

Taxes:	
Property Taxes, Levied for General Purposes	22,817,527
Property Taxes, Levied for Debt Service	11,515,000
Property Taxes, Levied for Community Services	90,000
Federal and State Aid not Restricted to Specific Purpose	
General	25,781,071
Interest and Investment Earnings	779,374
Miscellaneous	363,925
Total General Revenues	<u>61,346,897</u>
Change in Net Position	<u>1,714,857</u>
Net Position - Beginning	<u>90,943,719</u>
Net Position - Ending	<u>\$ 92,658,576</u>

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL
DISTRICT DEFOREST, WISCONSIN**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 17,229,086	\$ -	\$ 1,351,648	\$ 18,580,734
Restricted Cash and Investments	-	3,787,156	4,106,532	7,893,688
Receivables:				
Taxes	7,816,447	-	-	7,816,447
Accounts	43,004	-	40,254	83,258
Due from Other Funds	2,103	-	26,798	28,901
Due from Other Governments	1,761,184	-	11,854	1,773,038
Inventory	-	-	18,781	18,781
Prepaid Expenses	136,707	-	2,160	138,867
TOTAL ASSETS	<u><u>\$ 26,988,531</u></u>	<u><u>\$ 3,787,156</u></u>	<u><u>\$ 5,558,027</u></u>	<u><u>\$ 36,333,714</u></u>
LIABILITIES				
Accounts Payable	\$ 403,225	\$ -	\$ 505,524	\$ 908,749
Accrued Salaries and Wages	3,525,781	-	11,308	3,537,089
Payroll Taxes and Withholdings	931,290	-	881	932,171
Due to Other Funds	26,798	-	2,103	28,901
Due to Other Governments	290	-	-	290
Food Service Deposits	-	-	75,046	75,046
Total Liabilities	<u><u>4,887,384</u></u>	<u><u>-</u></u>	<u><u>594,862</u></u>	<u><u>5,482,246</u></u>
FUND BALANCES				
Nonspendable	136,707	-	20,941	157,648
Restricted	363,393	3,787,156	4,942,224	9,092,773
Assigned	161,278	-	-	161,278
Unassigned (Deficit)	21,439,769	-	-	21,439,769
Total Fund Balances	<u><u>22,101,147</u></u>	<u><u>3,787,156</u></u>	<u><u>4,963,165</u></u>	<u><u>30,851,468</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 26,988,531</u></u>	<u><u>\$ 3,787,156</u></u>	<u><u>\$ 5,558,027</u></u>	<u><u>\$ 36,333,714</u></u>

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
June 30, 2023**

Total fund balance, governmental funds	\$ 30,851,468
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position.	202,972,696
--	-------------

Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not current financial resources or obligations and therefore are not reported in the fund statements.	
Net deferred outflows and inflows of resources	14,362,369

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Loss on refunding	1,120,115

Some liabilities (such as Notes Payable, Financed Purchases, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
General obligation debt	(133,498,000)
Financed purchases payable	(52,930)
Net OPEB liability - Group Life Insurance Plan	(1,942,558)
Net OPEB liability - Health Insurance	(920,632)
Unamortized premium on debt	(7,692,660)
Accrued interest on long-term debt	(1,037,230)
Compensated absences	(3,010,120)
Net Pension Liability	(8,493,942)

Net Position of Governmental Activities in the Statement of Net Position	\$ 92,658,576
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See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

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

For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 22,317,527	\$ 11,515,000	\$ 590,000	\$ 34,422,527
Other Local Sources	771,601	139,377	2,330,331	3,241,309
Interdistrict Sources	1,777,693	-	-	1,777,693
Intermediate Sources	16,876	-	-	16,876
State Sources	28,854,926	-	31,726	28,886,652
Federal Sources	2,956,413	-	865,399	3,821,812
Other Sources	162,219	-	190,583	352,802
	<u>56,857,255</u>	<u>11,654,377</u>	<u>4,008,039</u>	<u>72,519,671</u>
Total Revenues				
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	19,717,526	-	130,088	19,847,614
Vocational Instruction	1,448,747	-	11,854	1,460,601
Special Instruction	7,913,196	-	-	7,913,196
Other Instruction	2,153,021	-	735,218	2,888,239
Total Instruction	<u>31,232,490</u>	<u>-</u>	<u>877,160</u>	<u>32,109,650</u>
Support Services:				
Pupil Services	3,373,246	-	-	3,373,246
Instructional Staff Services	4,926,986	-	-	4,926,986
General Administration Services	683,015	-	-	683,015
Building Administration Services	2,381,833	-	919	2,382,752
Business Administration	625,461	-	-	625,461
Operation and Maintenance	6,248,060	-	67,403	6,315,463
Pupil Transportation	1,911,708	-	71,736	1,983,444
Central Services	1,770,267	-	542	1,770,809
Insurance	561,794	-	5,635	567,429
Food Services	-	-	2,040,959	2,040,959
Community Services	-	-	188,704	188,704
Other Support Services	128,857	-	218	129,075
Total Support Services	<u>22,611,227</u>	<u>-</u>	<u>2,376,116</u>	<u>24,987,343</u>
Non-program Services	2,229,571	-	26,541	2,256,112
Capital Outlay	364,735	-	6,434,424	6,799,159
Debt Service	107,622	10,509,964	-	10,617,586
	<u>56,545,645</u>	<u>10,509,964</u>	<u>9,714,241</u>	<u>76,769,850</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>311,610</u>	<u>1,144,413</u>	<u>(5,706,202)</u>	<u>(4,250,179)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	27,049	-	148,657	175,706
Transfer Out	(148,657)	-	(27,049)	(175,706)
Total Other Financing Sources (Uses)	<u>(121,608)</u>	<u>-</u>	<u>121,608</u>	<u>-</u>
Net Change in Fund Balances	<u>190,002</u>	<u>1,144,413</u>	<u>(5,584,594)</u>	<u>(4,250,179)</u>
Fund Balance - Beginning	<u>21,911,145</u>	<u>2,642,743</u>	<u>10,547,759</u>	<u>35,101,647</u>
Fund Balance - Ending	<u>\$ 22,101,147</u>	<u>\$ 3,787,156</u>	<u>\$ 4,963,165</u>	<u>\$ 30,851,468</u>

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, 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: \$ (4,250,179)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays of \$6,794,278 exceeded depreciation (\$4,715,087) in the current period. 2,079,191

Vested employee benefits and OPEB are reported in the government funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.

Net (increase) decrease in net OPEB liability (asset), deferred outflows and deferred inflows	115,794
Net (increase) decrease in compensated absences	(136,067)
Net (increase) decrease in OPEB liability, deferred outflows and deferred inflows - group life insurance plan	(235,236)

In governmental funds impact fees payments are reported as an expenditures when paid. In the Statement of Activities, impact fees is reported as incurred. 103,512

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.

The amount of long-term debt principal payments in the current year is:	6,140,000
The amount of capital lease principal payments in the current year is:	95,281

Governmental funds report the effect of premiums when debt is first issued. However, the premium on long-term debt is shown as a liability in the Statement of Net Position and is amortized. 475,893

Governmental funds report the effect of loss on refunding when debt is first refinanced. However, the loss on refinancing debt is shown as a deferred outflow in the Statement of Net Position and is amortized. (560,058)

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities interest is reported as incurred.

Change in amount of accrued interest not reflected on Governmental Funds	55,261
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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 (asset) from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan	2,005,585
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Actuarially determined change in net pension liability (asset) between years, with some adjustments	(4,174,120)
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Change in net position of governmental activities	\$ 1,714,857
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**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023**

	Other Post- Employment Benefit Trust
ASSETS	
Cash and Investments	\$ 3,954,143
Total Assets	<u>3,954,143</u>
LIABILITIES	
Accounts Payable	6,590
Total Liabilities	<u>6,590</u>
NET POSITION	
Restricted	3,947,553
Total Net Position	<u><u>\$ 3,947,553</u></u>

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023**

	<u>Other Post- Employment Benefit Trust</u>
ADDITIONS	
Employer Contributions	\$ 638,189
Employee Contributions	94,455
Other Contributions	50,000
Interest and Dividends	<u>115,895</u>
 TOTAL ADDITIONS	 <u>898,539</u>
DEDUCTIONS	
Benefit Payments	<u>839,977</u>
 TOTAL DEDUCTIONS	 <u>839,977</u>
 Change in Net Position	 <u>58,562</u>
 NET POSITION - BEGINNING	 <u>3,888,991</u>
NET POSITION - ENDING	<u><u>\$ 3,947,553</u></u>

See accompanying notes to the basic financial statements

NOTES TO FINANCIAL STATEMENTS

DEFOREST AREA SCHOOL DISTRICT
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June 30, 2023

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**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies

The accounting policies of the DeForest Area School District (the “District”) conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of: (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. District-Wide and Fund Financial Statements

District-wide Statements

The Statement of Net Position and Statement of Activities present financial information about the District as a whole. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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, net position/fund equity, revenues, and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Funds are organized as major funds or nonmajor funds within the governmental fund 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise 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.

The District reports the following major governmental funds:

General Fund - Accounts for the District's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Education Fund, a subset of the General Fund, accounts for resources legally restricted to supporting expenditures for the special education program as required by the Wisconsin Department of Public Instruction.

Debt Service Fund - Used to account for the accumulation of resources for, and the payment of, general long-term debt principal (nonreferendum and referendum), interest, and related costs.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

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

The District reports the following nonmajor governmental funds:

Special Revenue Funds - Used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or assigned to expenditures for specified purposes:

- Special Revenue Trust
- Food Service
- Community Service
- Package Cooperative

Capital Projects Funds - These funds account for the resources restricted for specific capital projects:

- Capital Projects Fund
- Capital Improvement Trust Fund
- Capital Expansion Fund

In addition, the District reports the following fund types:

Other Post-Employment Benefit Trust Fund - This trust is used to report resources that are required to be held in trust for the members and beneficiaries of the District's other post-employment benefit plan.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables.

State general and categorical aids, federal impact aid, 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.

The District reports unearned revenues on its governmental funds balance sheet. For governmental fund financial statements, unearned revenues arise 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 the District has a legal claim to the resources, the deferred inflows for unearned revenue is removed from the combined balance sheet and revenue is recognized.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Fiduciary funds follow the accrual basis of accounting and do not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Deposits and Investments

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The District has pooled 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 the aggregate for nonmajor and fiduciary funds.

See note 3 for additional information.

E. Receivables and Payables

Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to the comprising municipalities based on the immediate past October 1 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 31, and the final payment no later than the following July 31. On or before January 15, 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 20, 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 1, 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 30 and are available to pay current liabilities.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

E. Receivables and Payables (Continued)

Interfunds

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable

All accounts receivable are shown as gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance is not material.

F. Capital Assets

District-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Depreciation of all exhaustible capital 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:

	<u>Estimated Useful Life</u>
Land Improvements	10-20 years
Buildings	25-50 years
Equipment and Vehicles	5-20 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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

G. Other Assets

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

H. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as a liability in the district-wide statements. The long-term obligations consist primarily of notes, bonds or loans payable, capital leases, and accrued compensated absences. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year-end for premiums/discounts is shown as an increase or decrease in the liability section of the Statement of Net Position. Gains or losses on refunding are reported as deferred inflows of resources or deferred outflows of resources, respectively.

I. Vested Employee Benefits

Termination Benefit

The District is providing certain employees with negotiated termination benefits upon separation from the District. No termination benefits were paid during the year and no remaining benefits are accrued in the district-wide financial statements.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits expected to be paid are considered vested and are disclosed in these statements.

The District's policy allows administrators to earn varying amounts of sick leave for each year employed. Accrued sick leave will be lost upon separation.

The District's policy allows teachers to earn varying amounts of sick leave for each year employed. Upon retirement, unused sick leave accumulated up to a maximum of 150 days upon retirement will be paid into the retirees' premium-only HRA at the rate of \$250 per day, maximum \$37,500. The amount considered vested at June 30, 2023 is \$683,835 for retirees and \$2,000,516 for currently active teachers.

The District's policy allows support staff to earn varying amounts of sick leave for each year employed. Upon retirement, these employees are entitled to a payout of unused sick leave. The amount considered vested at June 30, 2023 is \$240,925.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

I. Vested Employee Benefits (Continued)

In certain circumstances, the District's policy allows employees to carryover up to 40 hours of vacation into the next year. The amount considered vested at June 30, 2023 is \$84,844.

All vested vacation and sick leave pay is accrued when incurred in the district-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2023 are determined on the basis of current salary rates and include salary related payments.

Other Post-Employment Benefits – Health Plan

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. Employees that choose not to participate in the medical plan during their retirement will instead receive a cash benefit in lieu of such coverage. See Note 10 for additional information.

Other Post-Employment Benefits – 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 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 LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

J. 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 positions 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.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has four items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category.

L. 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 (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those 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 positions that do not meet their definition of "restricted" or "invested in capital assets, net of related debt."

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

L. Equity Classifications (Continued)

Fund Statements

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- a. Not in spendable form; or
- b. Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District board.

Assigned fund balance is reported for amounts that are constrained by the District management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

When committed, assigned, and unassigned amounts are available for use, it is the District's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

Fiduciary fund equity is classified as held in trust for retiree health benefits. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

M. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of GASB 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 funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (Continued)

N. Estimates

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

O. Change in Accounting Principle

Effective July 1, 2022, the District adopted GASB statement No. 96, *Subscription-Based Information Technology Arrangements* (“SBITA”). The adoption marks a departure from the previous accounting methodology and introduces a comprehensive framework for the recognition and measurement of SBITA’s. The standard has been applied to the beginning of the period of adoption. The adoption of GASB No. 96 did not have a material impact on the District’s financial statements.

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 four broad categories:

- 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.
- b. Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- d. Payments to retired employees for post-employment benefits are recorded when paid in the fund financial statements. Expenses are recorded in the Statement of Activities when incurred. Payments to retired employees reduce the post-employment liabilities.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

3. Deposits and Investments

Investments Authorized by Wisconsin Statutes

Investment of District funds is restricted by State Statutes. Available investments are limited to:

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

The District has adopted an investment policy. That policy follows the State Statute for allowable investments. The investment policy does not address the following risks:

- Custodial Credit Risk
- Credit Risk
- Interest Rate Risk
- Concentration of Credit Risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of District funds is allocated to the General Fund. Amounts allocated to the General Fund but earned by other funds are not material.

The Wisconsin Investment Series Cooperative is an investment pool established by an intergovernmental agreement. The pool invests in investments legally permissible under Wisconsin law.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

3. Deposits and Investments (Continued)

For all the District's cash and investments shown below, the market value at the balance sheet date is substantially the same as the fair value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the District's deposits were higher than the June 30, 2023 balances, detailed below. This means that the District's risk and exposure could be higher at these times.

	Carrying Value	Fair Value	Associated Risks
Petty Cash	\$ 1,154	\$ 1,154	N/A
Deposits	12,442,357	12,686,721	Custodial Credit Risk
Investments			
Local Government Investment Pool	11,527,242	11,527,242	Credit/Interest Rate
WISC Financial Investment:			
WISC Cash Management Series	1,065,475	1,065,475	Credit/Interest Rate
WISC Investment Series	26,506	26,506	Credit/Interest Rate
U.S. Treasury Bills	2,983,555	3,020,000	Credit/Interest Rate
Certificates of Deposit	2,186,241	2,186,241	Custodial Credit/Interest Rate
Mutual Fund	22,035	22,035	Credit
Stock	174,000	174,000	N/A
Total June 30, 2023	\$ 30,428,565	\$ 30,709,374	

A reconciliation of cash and investments as shown on the statements is as follows:

Statement of Net Position	
Cash and Investments	\$ 18,580,734
Restricted Cash and Investments	
Capital Projects Funds	4,106,532
Debt Service Fund	3,787,156
Statement of Fiduciary Net Position	
Fiduciary Funds	<u>3,954,143</u>
Total Cash and Investments	<u>\$ 30,428,565</u>

Restricted cash in the amount of \$3,787,156 in the Debt Service fund includes amounts set aside for future payment of G.O. debt. The restricted cash to pay for these requirements is offset in the restricted fund balance of the respective funds.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

3. Deposits and Investments (Continued)

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 as reported in these statements. 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, 2% in Commercial Paper, Certificates of Deposit, and Time Deposits. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

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 sensitivity its fair value has 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 of 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. The LGIP investments have an average maturity of 28 days.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less Than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1 Year to 5 Years</u>
Certificates of Deposit	\$ 2,186,241	\$ -	\$ 2,027,112	\$ 159,129
WISC Cash Management Series	1,065,475	1,065,475	-	-
WISC Investment Series	26,506	26,506	-	-
U.S. Treasury Bills	3,020,000	-	1,497,244	1,522,756
Local Government Investment Pool	11,527,242	11,527,242	-	-
Total	<u>\$ 17,825,464</u>	<u>\$ 12,619,223</u>	<u>\$ 3,524,356</u>	<u>\$ 1,681,885</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

3. Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations 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. As of June 30, 2023, the District's investments were rated as follows:

Investment Type	Fair Value	Composite
Mutual Fund	\$ 22,035	Morningstar Rating-3 stars
WISC Cash Management Series	1,065,475	S&P Global Ratings-AAAm
WISC Investment Series	26,506	S&P Global Ratings-AAAm
U.S. Treasury Bills	3,020,000	Moody's-Aaa
Local Government Investment Pool	11,527,242	Not Rated
	<u>\$ 15,661,258</u>	

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 the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. 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 not be significant to individual municipalities.

As of June 30, 2023, the District's deposits with financial institutions in excess of federal deposit insurance were exposed to custodial credit risk as follows:

Insured by State Deposit Guarantee Fund	\$ 800,000
Insured by FHLB with a letter of credit	<u>13,072,963</u>
Total	<u>\$ 13,872,963</u>

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

4. Fair Value Measurement

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

The District uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the District’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The District uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

Assets at Fair Value as of June 30, 2023				
	Fair Value	Level 1	Level 2	Level 3
Mutual Fund	\$ 22,035	\$ 22,035	\$ -	\$ -
U.S. Treasury Bills	3,020,000	3,020,000	-	-
Stock	174,000	-	-	174,000
Totals	\$ 3,216,035	\$ 3,042,035	\$ -	\$ 174,000

Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Stock classified in Level 3, due to lack of an independent pricing source, are valued by the investment manager.

5. Receivables and Customer Deposits

All receivables of the District are expected to be collected within one year. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported deposits of \$75,046 for food service payment card balances.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

6. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,519,622	\$ 75,900	\$ -	\$ 10,595,522
Construction in progress	65,787,236	4,473,778	69,996,014	265,000
Total capital assets not being depreciated	<u>76,306,858</u>	<u>4,549,678</u>	<u>69,996,014</u>	<u>10,860,522</u>
Capital assets being depreciated				
Land improvements	3,727,987	-	-	3,727,987
Buildings	150,248,718	70,366,791	-	220,615,509
Equipment and vehicles	7,659,695	1,873,823	-	9,533,518
Total capital assets being depreciated	<u>161,636,400</u>	<u>72,240,614</u>	<u>-</u>	<u>233,877,014</u>
Accumulated depreciation				
Land improvements	(2,045,638)	(112,473)	-	(2,158,111)
Buildings	(30,891,075)	(4,074,365)	-	(34,965,440)
Equipment and vehicles	(4,113,040)	(528,249)	-	(4,641,289)
Total accumulated depreciation	<u>(37,049,753)</u>	<u>(4,715,087)</u>	<u>-</u>	<u>(41,764,840)</u>
Capital assets being depreciated, net of accumulated depreciation	<u>124,586,647</u>	<u>67,525,527</u>	<u>-</u>	<u>192,112,174</u>
Total capital assets, net of depreciation	<u>\$ 200,893,505</u>	<u>\$ 72,075,205</u>	<u>\$ 69,996,014</u>	<u>\$ 202,972,696</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

6. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 15,178
Vocational	2,822
Other instruction	22,981
Special education	5,413
Support services:	
Pupil services	2,882
Instructional staff services	2,067
General administration services	526
Business administration	15,749
Operations and maintenance	4,542,059
Pupil transportation	10,932
Central services	85,668
Food service	5,873
Community services	2,860
Total depreciation expense	\$ 4,715,087

7. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2023 was as follows:

<u>General Obligation Debt</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
G.O. Bonds	\$ 139,638,000	\$ -	\$ 6,140,000	\$ 133,498,000	\$ 6,239,000
Total governmental activity long-term liabilities	139,638,000	-	6,140,000	133,498,000	6,239,000
Deferred Amounts for Premium	8,168,553	-	475,893	7,692,660	475,893
Financed Purchase Arrangements	148,211	-	95,281	52,930	49,031
Compensated Absences	2,874,053	298,521	162,454	3,010,120	993,300
Total Long-Term Obligations	\$ 150,828,817	\$ 298,521	\$ 6,873,628	\$ 144,253,710	\$ 7,757,224

The compensated absences liability is typically being liquidated by the General Fund.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

7. Long-Term Obligations (Continued)

General Obligation Debt

Total interest paid and accrued during the year:

	Expense	Paid
Long-Term Debt	\$ 4,314,703	\$ 4,369,964

All general obligation bonds and notes payable are backed by the full faith and credit and unlimited taxing powers of the District. Notes and bonds in the governmental funds will be retired by future property tax levies of the Debt Service Fund. General Obligation Debt at June 30, 2023 is comprised of the following individual issues:

Description	Issue Dates	Interest Rate %	Dates of Maturity	Original Indebtedness	Balance 6/30/2023	Amount Due Within One Year
GO School Improvement Bonds	6/17/2015	3.375-5.0%	4/1/2035	\$ 26,000,000	\$ 495,000	\$ -
GO Refunding Bonds	7/31/2019	3.0-5.0%	4/1/2039	81,575,000	75,460,000	-
GO Refunding Bonds	7/9/2020	2.0-3.0%	4/1/2040	22,995,000	16,065,000	3,720,000
GO Refunding Bonds	1/5/2021	1.5-2.0%	4/1/2036	9,970,000	6,335,000	1,910,000
GO Refunding Bonds	4/5/2021	2.13%	4/1/2041	7,950,000	7,950,000	-
GO Refunding Bonds	4/5/2021	.78-2.36%	4/1/2041	28,705,000	27,193,000	609,000
Total General Obligation Debt					\$ 133,498,000	\$ 6,239,000

The 2022 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$4,078,115,085. The legal debt limit and margin of indebtedness as of June 30, 2023, in accordance with §67.03(1)(b) of the Wisconsin statutes follows:

Debt Limit (10% of \$4,078,115,085)	\$ 407,811,509
Deduct long-term debt applicable to debt margin	133,498,000
Margin of indebtedness	\$ 274,313,509

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

Year Ended June 30,	Principal	Interest
2024	\$ 6,239,000	\$ 4,148,920
2025	6,817,000	3,918,204
2026	6,974,000	3,655,640
2027	7,234,000	3,395,888
2028	7,510,000	3,120,595
2029-2033	36,191,000	11,495,658
2034-2038	37,788,000	6,406,902
2039-2041	24,745,000	1,380,848
Totals	\$ 133,498,000	\$ 37,522,655

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

7. Long-Term Obligations (Continued)

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Advance Refunding

On April 5, 2021, the District issued \$28,705,000 in taxable general obligation refunding bonds with interest rates ranging between 0.78% and 2.36%. The District issued the bonds to advance refund \$24,830,000 of the outstanding 2015 general obligation school improvement bonds with interest rates ranging between 3.375% and 5.0%. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2015 bonds. As a result, that portion of the 2015 bonds is considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$24,830,000 at June 30, 2023. The risk-free monetary assets of the trust cannot be replaced.

Financed Purchases

The District is obligated under certain leases that meet the criteria to be accounted for as financed purchases. The leased assets have an original cost of \$196,100 and accumulated depreciation of \$94,734. The following is a schedule by years of future minimum payments under financed purchases together with the present value of the net minimum payments as of June 30, 2023:

Year Ended June 30,		
2024	\$	50,729
2025		4,127
Total minimum lease payments		<u>54,856</u>
Less: Amount representing interest		<u>(1,926)</u>
Present value of net minimum lease payments	\$	<u><u>52,930</u></u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. 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, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. Defined Benefit Pension Plan (Continued)

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
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 \$2,005,584 in contributions from the employer.

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%

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$8,493,942 for its proportionate share of the net pension liability. 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 District'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 District's proportion was 0.16033253%, which was an increase of 0.00686682% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$4,294,437.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,528,218	\$ (17,773,041)
Net differences between projected and actual earnings on pension plan investments	14,429,247	-
Changes in assumptions	1,670,260	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,759	(109,046)
Employer contributions subsequent to the measurement date	<u>1,314,697</u>	<u>-</u>
Total	<u>\$ 30,957,181</u>	<u>\$ (17,882,087)</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. Defined Benefit Pension Plan (Continued)

\$1,314,697 reported as deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (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 (revenue) as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2024	\$ 469,376
2025	2,426,478
2026	2,486,800
2027	6,377,743
Total	\$ 11,760,397

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
	January 1, 2018 - December 31, 2020
Experience Study:	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:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Morality 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 assumption 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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. 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:

Asset Allocation Targets and Expected Returns¹
As of December 31, 2022

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %²</u>
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 ³	<u>115</u>	7.4	4.8
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	<u>100</u>	7.7	5.1

¹Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

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

³The investment policy used for 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%.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

8. 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 discount rate is based on the expected rate of return on pension plan investments of 6.80% 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 District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 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:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
District's proportionate share of the net pension liability (asset)	\$ 28,191,118	\$ 8,493,942	\$ (5,056,025)

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>.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan

Plan Description. The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible 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 members 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 member contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2023 are:

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

9. Other Post-Employment 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 members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2022 are as listed below:

Life Insurance Employee Contribution Rates*		
For the year ended December 31, 2022		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

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

During the reporting period, the LRLIF recognized \$10,230 in contribution from the employer.

OPEB Liabilities, OPEB Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the District reported a liability of \$1,942,558 for its proportionate share of the net OPEB liability. 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 0.509881%, which was an increase of 0.043466% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$245,523.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

9. Other Post-Employment 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (190,111)
Net differences between projected and actual earnings on plan investments	36,451	-
Changes in actuarial assumptions	697,919	(1,146,642)
Changes in proportion and differences between employer contributions and proportionate share of contributions	283,973	(2,245)
Employer contributions subsequent to the measurement date	5,216	-
Totals	\$ 1,023,559	\$ (1,338,998)

\$5,216 of the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2024	\$ 11,520
2025	(2,731)
2026	30,036
2027	(64,410)
2028	(146,675)
Thereafter	(148,395)
Total	\$ (320,655)

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

9. Other Post-Employment 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	
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.

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2022

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%

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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 prior year at 2.30%.

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:

	1% Decrease to Discount Rate (2.76%)	Current Discount Rate (3.76%)	1% Increase to Discount Rate (4.76%)
District's proportionate share of the net OPEB liability (asset)	\$ 2,648,473	\$ 1,942,558	\$ 1,401,557

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

10. Post-Employment Benefits Other Than Pensions – Health Plan

At June 30, 2023, the District's net OPEB liability was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Plan Description. The District administers a single-employer defined benefit health care plan (the Retiree Health Plan). The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. There are 529 active members in the plan and 26 retired members in the plan. Benefit provisions are determined and may be amended by the Board of Education. Benefits are not negotiated through a collective bargaining agreement. The post-retirement plan does not issue stand-alone financial reports.

Funding Policy. The DeForest Area School District Post-Employment Benefits Trust was created by the District on November 8, 2008 to fund a portion of the costs of the OPEB liabilities (assets). Distributions from the Trust in any year are limited to the amount of contributions the District has made to the Trust for that year plus a portion of the investment gains of the assets of the Trust. The District has the authority to permit Trust assets to accumulate from year to year in order to reduce future District funding obligations, or the District may exercise its discretion to withdraw in any year an amount not to exceed the limitation specified above.

Benefits Provided. For the DeForest Area School District, the other postemployment benefit liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classification that are entitled to a benefit are briefly outlined below:

Teachers: At least age 55 with a minimum of 15 years of service

Teachers hired prior to July 1, 1995 may choose one of the following two options:

- **Sick Leave Conversion Benefit:** Eligible retirees may use the monies resulting from unused sick leave accumulated upon retirement, converted at 90% of the retiree's per diem rate at retirement to continue coverage under the District's group medical, dental and/or life insurance coverage until their exhaustion.
- **Medical Insurance:** The District shall make contributions towards a retiree's medical insurance at the exit rate. The District shall continue its contributions in this manner for a period of 5 years.

Teachers hired on or after July 1, 1995:

- Affective July 1, 2020, eligible retirees will receive a one-time contribution of \$37,500 into a premium-only HRA. The total contribution will not exceed a maximum of \$37,500.

Administrators (including current Superintendent): At least age 55 with a minimum of 10 years of service

Eligible retirees will receive a one-time contribution of \$75,000 into a Premium-Only HRA. The total contribution will not exceed a maximum of \$75,000.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Salaried District Specialist: At least age 55 with a minimum of 15 years of service

Eligible retirees will receive a one-time contribution of \$75,000 into a Premium-Only HRA. The total contributions will not exceed a maximum of \$75,000.

Hourly District Wide Administration Support: At least age 55 with a minimum of 15 years of service

Eligible retirees will receive a one-time contribution of \$25,000 into a Premium-Only HRA. The total contribution will not exceed a maximum of \$25,000.

Hourly Support Staff (Effective 7/1/2017): At least age 55 with a minimum of 15 years of service

Eligible retirees will receive a one-time contribution of \$10,000 into a Premium-Only HRA. The total contribution will not exceed a maximum of \$10,000.

Note: Prorated to FTE and only for those who qualify for benefits 75% FTE.

Note: HRA funds may only be used on the District's health plan only for the duration of COBRA. Any remaining balance would be for coverage with an outside provider. In addition, those noted eligible for a District provided benefit may self-pay to remain on the District's health plan only for the duration of COBRA.

Note: The District has a high deductible health plan (\$3,000 single/ \$6,000 family) and provides eligible active employees with HSA contributions up to \$2,750 single/ \$5,500 family. Certain grandfathered retirees (certified staff hired before July1, 1995) that are on the Districts high deductible health plan in retirement, will also receive these contributions. No other retirees are eligible for these HSA contributions.

Employees Covered by Benefit Terms. Employees participating in the OPEB benefit consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	26
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	529
	555
	555

Net OPEB Liability (Asset). The District's net OPEB liability of \$920,632 was measured at June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021. Since assets are held solely in Money Market accounts, the discount rate was updated based on the S&P Municipal Bond 20 Year High Grade Index as of the week of the measurement date (4.00%). All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2022.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Actuarial Assumptions and Other Inputs. The net OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Discount rate*	4.00 percent
Healthcare cost trend rates	6.50 percent decreasing by .10% per year down to 5.0%, and level thereafter

**Discount rate is based upon all years of projected payments discounted at a municipal bond rate of 4.00%.*

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

The actuarial assumptions used in the June 30, 2021 valuation were based on a study conducted in 2018 using the Wisconsin Retirement System (WRS) experience from 2015-2017.

Discount Rate. The discount rate used to measure the total net OPEB liability (asset) was 4.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability (asset). The long-term expected rate of return is equal to the discount rate. The discount rate is based upon all years of projected payments discounted at a municipal bond rate of 4.00%.

Assets Allocation. The current assets allocation of the District's OPEB plan's asset classes as of June 30, 2023 was as follows:

- 5% - Money Market Account
- 95% - Business Interest Checking Account

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

<i>Changes in the Net OPEB Liability (Asset)</i>	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at 6/30/2021	\$ 4,628,405	\$ 3,618,193	\$ 1,010,212
Changes for the year:			
Service cost	347,265	-	347,265
Interest	97,193	-	97,193
Changes of benefit terms	-	-	-
Differences between expected and actual experience	367,706	-	367,706
Changes in assumptions or other inputs	(261,144)	-	(261,144)
Contributions - employer	-	636,765	(636,765)
Net investment income	-	3,835	(3,835)
Benefit payments	(964,685)	(964,685)	-
Net Changes	<u>(413,665)</u>	<u>(324,085)</u>	<u>(89,580)</u>
Balance at 6/30/2022	<u>\$ 4,214,740</u>	<u>\$ 3,294,108</u>	<u>\$ 920,632</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (4.00 percent) than the current discount rate:

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Net OPEB Liability (Asset)	<u>\$ 1,068,126</u>	<u>\$ 920,632</u>	<u>\$ 774,086</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates. The following represents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB Liability (Asset)	<u>\$ 889,867</u>	<u>\$ 920,632</u>	<u>\$ 953,204</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

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 \$522,395. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the OPEB from the following sources:

Gain / Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,335,710	\$ -
Changes of assumptions or other inputs	19,357	(547,428)
Net difference between projected and actual earnings on OPEB plan investments	156,886	-
District contributions subsequent to the measurement date	638,189	-
Total	\$ 2,150,142	\$ (547,428)

\$638,189 reported as deferred outflows related to OPEB resulting from the District 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 the OPEB expense as follows:

Year Ended June 30:	
2024	\$ 133,991
2025	121,241
2026	102,463
2027	86,639
2028	71,861
Thereafter	448,330
	\$ 964,525

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

11. Fund Balances

Fund Balances

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

Fund balances:	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<u>Nonspendable:</u>					
Inventory	\$ -	\$ -	\$ 18,781	\$ -	\$ 18,781
Prepays	136,707	-	2,160	-	138,867
Total Nonspendable	<u>136,707</u>	<u>-</u>	<u>20,941</u>	<u>-</u>	<u>157,648</u>
<u>Restricted for:</u>					
Self Insurance	275,560	-	-	-	275,560
Common School Fund	14,545	-	-	-	14,545
Unspent Get Kids Ahead Initiative Grant Funds	73,288	-	-	-	73,288
Debt Service Retirement	-	3,787,156	-	-	3,787,156
Capital Projects	-	-	-	3,674,388	3,674,388
Food Services	-	-	411,664	-	411,664
Community Services	-	-	28,243	-	28,243
Special Revenue Trust	-	-	827,929	-	827,929
Total Restricted	<u>363,393</u>	<u>3,787,156</u>	<u>1,267,836</u>	<u>3,674,388</u>	<u>9,092,773</u>
<u>Assigned for:</u>					
Programs	161,278	-	-	-	161,278
<u>Unassigned</u>	<u>21,439,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,439,769</u>
Total Fund Balances	<u><u>\$ 22,101,147</u></u>	<u><u>\$ 3,787,156</u></u>	<u><u>\$ 1,288,777</u></u>	<u><u>\$ 3,674,388</u></u>	<u><u>\$ 30,851,468</u></u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

12. Interfund Balances and Activity

Due to / Due from Other Funds

Interfund receivable and payable balances in the fund financial statements on June 30, 2023 are as follows:

Due To	Amount	Due From	Purpose
Capital Improvement Trust Fund	\$ 26,798	General Fund	Capital improvement projects
General Fund	2,103	Package Cooperative	Cash shortfall
Total-Fund Financial Statements	28,901		
Less: Fund Eliminations	(28,901)		
Total District-Wide Statement of Net Position	\$ -		

All balances are expected to be paid within one year.

Transfers

The District had the following interfund transfers:

Purpose	Receivable Fund	Payable Fund	Amount
Capital Improvement Project	Capital Improvement Trust	General Fund	\$ 126,798
Operating Transfer	General Fund	Special Revenue Trust Fund	27,049
Operating Transfer	Package Cooperative	General Fund	21,859
			\$ 175,706

13. Self-Funded Insurance Program

On September 1, 2016, the District established a self-funded dental benefit plan for its employees. The plan administrator, Delta Dental of Wisconsin, is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District. The District has no stop-loss coverage for dental care coverage of the Plan.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

13. Self-Funded Insurance Program (Continued)

At June 30, 2023, the District has reported a liability of \$38,105, which represents reported and unreported claims which were incurred on or before June 30, 2023, but were not paid by the District as of that date. This amount consists of claims reported to the District by the Plan administrator (\$0), claims reported to the Plan administrator but not the District (\$19,434) and claims which were not yet reported to either the Plan administrator or the District (\$18,671). The amounts not reported to the District were determined by the Plan administrator.

Change in the claims liability for the year ended June 30, 2023 is as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Estimated claims outstanding July 1	\$ 43,663	\$ 32,877	\$ 29,373
Current year claims and changes in estimates	536,761	519,682	388,267
Claim payments	542,319	508,896	384,763
Estimated claims outstanding June 30	<u>\$ 38,105</u>	<u>\$ 43,663</u>	<u>\$ 32,877</u>

14. Limitation of School District Revenues

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

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

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

16. Contingencies

From time to time, the District becomes party to claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

16. Contingencies (Continued)

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

17. Construction Commitments

As of June 30, 2023, the District's facilities were undergoing remodeling and upgrades. The District has the following contract commitments related to construction projects:

	<u>Total Contract</u>	<u>Expenditures through June 30, 2023</u>	<u>Remaining Commitment</u>
Construction Services:			
High School Addition and Renovation	\$ 49,417,521	\$ 49,262,584	\$ 154,937
Middle School Addition and Renovation	9,571,124	9,559,973	11,151
Yahara Elementary Addition and Renovation	5,148,822	5,110,829	37,993
Boiler Room Replacement	587,454	265,000	322,454
	<u>\$ 64,724,921</u>	<u>\$ 64,198,386</u>	<u>\$ 526,535</u>

18. 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 statement.

REQUIRED SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 23,739,789	\$ 23,012,413	\$ 23,089,128	\$ 76,715
Interdistrict Sources	1,419,740	1,745,709	1,747,693	1,984
Intermediate Sources	-	-	10,008	10,008
State Sources	24,232,972	26,058,074	26,089,459	31,385
Federal Sources	1,736,640	1,872,858	1,868,539	(4,319)
Other Sources	77,938	123,236	162,219	38,983
Total Revenues	<u>51,207,079</u>	<u>52,812,290</u>	<u>52,967,046</u>	<u>154,756</u>
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	20,400,975	19,805,108	19,717,526	87,582
Vocational Instruction	1,437,023	1,445,642	1,448,747	(3,105)
Special Instruction	188,607	189,463	185,715	3,748
Other Instruction	2,085,165	2,156,778	2,153,021	3,757
Support Service:				
Pupil Services	2,027,937	1,909,850	1,886,484	23,366
Instructional Staff Services	4,213,413	4,538,817	4,512,004	26,813
General Administration Services	854,108	709,406	683,015	26,391
Building Administration Services	2,597,330	2,379,156	2,381,833	(2,677)
Business Administration	571,847	594,766	625,461	(30,695)
Operation and Maintenance	5,605,603	5,945,664	6,248,007	(302,343)
Pupil Transportation	1,440,668	1,526,967	1,565,751	(38,784)
Central Services	1,431,234	1,793,906	1,763,940	29,966
Insurance	398,357	525,973	561,794	(35,821)
Other Support Services	117,687	151,984	128,857	23,127
Non-program Services	1,966,043	1,957,556	1,950,015	7,541
Capital Outlay	104,215	310,680	295,237	15,443
Debt Service	229,288	134,925	107,622	27,303
Total Expenditures	<u>45,669,500</u>	<u>46,076,641</u>	<u>46,215,029</u>	<u>(138,388)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,537,579</u>	<u>6,735,649</u>	<u>6,752,017</u>	<u>16,368</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	22,819	27,049	4,230
Transfers Out	(6,384,864)	(6,671,999)	(6,589,064)	82,935
Total Other Financing Sources and Uses	<u>(6,374,864)</u>	<u>(6,649,180)</u>	<u>(6,562,015)</u>	<u>87,165</u>
Net Change in Fund Balance	(837,285)	86,469	190,002	103,533
Fund Balance - Beginning	21,911,145	21,911,145	21,911,145	-
Fund Balance - Ending	<u>\$ 21,073,860</u>	<u>\$ 21,997,614</u>	<u>\$ 22,101,147</u>	<u>\$ 103,533</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interdistrict Sources	\$ -	\$ 30,000	\$ 30,000	\$ -
Intermediate Sources	-	4,753	6,868	2,115
State Sources	2,422,360	2,771,423	2,765,467	(5,956)
Federal Sources	1,103,709	1,186,085	1,087,874	(98,211)
Total Revenues	<u>3,526,069</u>	<u>3,992,261</u>	<u>3,890,209</u>	<u>(102,052)</u>
EXPENDITURES				
Current:				
Instruction:				
Special Instruction	7,356,784	7,855,381	7,727,481	127,900
Support Service:				
Pupil Services	1,384,715	1,506,419	1,486,762	19,657
Instructional Staff Services	325,230	421,336	414,982	6,354
Operation and Maintenance	-	100	53	47
Pupil Transportation	343,324	362,567	345,957	16,610
Central Services	9,700	10,700	6,327	4,373
Non-program Services	325,680	293,000	279,556	13,444
Capital Outlay	60,000	69,641	69,498	143
Total Expenditures	<u>9,805,433</u>	<u>10,519,144</u>	<u>10,330,616</u>	<u>188,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,279,364)</u>	<u>(6,526,883)</u>	<u>(6,440,407)</u>	<u>86,476</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	6,279,364	6,526,883	6,440,407	(86,476)
Total Other Financing Sources and Uses	<u>6,279,364</u>	<u>6,526,883</u>	<u>6,440,407</u>	<u>(86,476)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
For the Year Ended June 30, 2023**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 52,967,046	\$ 3,890,209
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	<u>3,890,209</u>	<u>(3,890,209)</u>
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 56,857,255</u>	<u>\$ -</u>
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 46,215,029	\$ 10,330,616
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	<u>10,330,616</u>	<u>(10,330,616)</u>
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 56,545,645</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**DISTRICT NET OPEB LIABILITY SCHEDULES - HEALTH PLAN
For the Year Ended June 30, 2023**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability							
Service costs	\$ 347,265	\$ 274,309	\$ 182,756	\$ 171,103	\$ 206,558	\$ 220,646	\$ 220,646
Interest	97,193	84,565	101,546	112,359	112,808	108,025	118,053
Changes in benefit terms	-	78,438	906,433	-	-	-	-
Difference between expected and actual experience	367,706	822,769	29,477	-	509,646	-	-
Changes in assumptions or other inputs	(261,144)	(16,766)	2,712	27,219	(473,815)	(74,229)	-
Benefit payments	(964,685)	(472,412)	(350,720)	(472,117)	(656,565)	(593,686)	(752,293)
Net change in total OPEB	\$ (413,665)	\$ 770,903	\$ 872,204	\$ (161,436)	\$ (301,368)	\$ (339,244)	\$ (413,594)
Total OPEB Liability-Beginning	4,628,405	3,857,502	2,985,298	3,146,734	3,448,102	3,787,346	4,200,940
Total OPEB Liability-Ending (a)	<u>\$ 4,214,740</u>	<u>\$ 4,628,405</u>	<u>\$ 3,857,502</u>	<u>\$ 2,985,298</u>	<u>\$ 3,146,734</u>	<u>\$ 3,448,102</u>	<u>\$ 3,787,346</u>
Fiduciary Net Position							
Contributions - employer	\$ 636,765	\$ 484,695	\$ 360,400	\$ 422,813	\$ 537,618	\$ 1,102,750	\$ 682,946
Net investment income	3,835	2,100	37,484	74,944	32,299	10,092	11,566
Benefit payments	(964,685)	(472,412)	(350,720)	(472,117)	(656,565)	(593,686)	(752,293)
Administrative expense	-	-	-	-	-	-	-
Adjustment	-	-	(192,026)	-	-	-	-
Net change in fiduciary net position	\$ (324,085)	\$ 14,383	\$ (144,862)	\$ 25,640	\$ (86,648)	\$ 519,156	\$ (57,781)
Fiduciary Net Position-Beginning	3,618,193	3,603,810	3,748,672	3,723,032	3,809,680	3,290,524	3,348,305
Fiduciary Net Position-Ending (b)	<u>\$ 3,294,108</u>	<u>\$ 3,618,193</u>	<u>\$ 3,603,810</u>	<u>\$ 3,748,672</u>	<u>\$ 3,723,032</u>	<u>\$ 3,809,680</u>	<u>\$ 3,290,524</u>
Net OPEB Liability							
Net OPEB Liability (Asset)- ending (a) - (b)	<u>\$ 920,632</u>	<u>\$ 1,010,212</u>	<u>\$ 253,692</u>	<u>\$ (763,374)</u>	<u>\$ (576,298)</u>	<u>\$ (361,578)</u>	<u>\$ 496,822</u>
Fiduciary net position as a percentage of the Total OPEB Liability	78.16%	78.17%	93.42%	125.57%	118.31%	110.49%	86.88%
Covered Employee Payroll	\$ 28,169,099	\$ 28,169,099	\$ 25,022,459	\$ 21,714,025	\$ 21,714,025	\$ 15,874,637	\$ 15,874,637
Net OPEB Liability as a percentage of covered-employee payroll	3.27%	3.59%	1.01%	-3.52%	-2.65%	-2.28%	3.13%

Data presented as of the measurement date.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**DISTRICT NET OPEB LIABILITY SCHEDULES -
HEALTH PLAN For the Year Ended June 30, 2023**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 621,996	\$ 411,624	\$ 145,196	\$ 145,196	\$ 486,910	\$ 486,910	\$ 382,964
Contributions in Relation to the ADC	636,765	484,695	360,400	422,813	537,618	1,102,750	682,946
Contribution Deficiency/(Excess)	<u>\$ (14,769)</u>	<u>\$ (73,071)</u>	<u>\$ (215,204)</u>	<u>\$ (277,617)</u>	<u>\$ (50,708)</u>	<u>\$ (615,840)</u>	<u>\$ (299,982)</u>
Covered Employee Payroll	\$ 28,169,099	\$ 28,169,099	\$ 25,022,459	\$ 21,714,025	\$ 21,714,025	\$ 15,874,637	\$ 15,874,637
Contributions as a Percentage of Covered- Employee Payroll	2.26%	1.72%	1.44%	1.95%	2.48%	6.95%	4.30%

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
June 30, 2023**

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

Last 10 Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Collective net OPEB liability (asset) as a percentage of the District's covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2022	0.50988100%	\$ 1,942,558	\$ 28,333,000	6.86%	38.81%
2021	0.46641500%	2,756,685	26,830,000	10.27%	29.57%
2020	0.44357400%	2,439,977	23,962,000	10.18%	31.36%
2019	0.42051800%	1,790,648	23,051,000	7.77%	37.58%
2018	0.41834200%	1,079,464	21,746,000	4.96%	48.69%
2017	0.42108100%	1,266,856	17,707,661	7.15%	44.81%

*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	\$ 10,433	\$ (10,433)	\$ -	\$ 28,006,000	0.04%
2022	10,321	(10,321)	-	21,260,851	0.05%
2021	9,155	(9,155)	-	19,911,353	0.05%
2020	8,758	(8,758)	-	18,959,180	0.05%
2019	8,166	(8,166)	-	21,598,779	0.04%
2018	7,614	(7,614)	-	20,796,072	0.04%

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

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**WISCONSIN RETIREMENT SYSTEM SCHEDULES
June 30, 2023**

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

Last 10 Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Collective net pension liability (asset) as a percentage of the District's covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.16033253%	\$ 8,493,942	\$ 30,855,127	27.53%	95.72%
2021	(0.15346571%)	(12,369,618)	27,222,787	(45.44%)	(106.02%)
2020	(0.14934797%)	(9,324,000)	25,486,595	(36.58%)	(105.26%)
2019	(0.14752040%)	(4,756,731)	23,797,589	(19.99%)	(102.96%)
2018	0.14539570%	5,172,723	22,371,813	23.12%	96.45%
2017	(0.14320191%)	(4,251,834)	21,783,876	(19.52%)	(102.93%)
2016	0.14070700%	1,159,762	20,569,841	5.64%	99.12%
2015	0.14005602%	2,275,883	19,729,870	11.54%	98.20%
2014	(0.14141936%)	(3,472,691)	19,620,368	(17.70%)	(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 DISTRICT'S CONTRIBUTIONS
FOR THE YEAR ENDED**

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	\$ 2,123,943	\$ (2,123,943)	\$ -	\$ 31,783,695	6.68%
2022	1,945,798	(1,945,798)	-	29,508,321	6.59%
2021	1,759,511	(1,759,511)	-	26,066,878	6.75%
2020	1,684,975	(1,684,975)	-	25,249,850	6.67%
2019	1,515,483	(1,515,483)	-	22,934,875	6.61%
2018	1,490,158	(1,490,158)	-	22,113,210	6.74%
2017	1,431,910	(1,431,910)	-	21,295,250	6.72%
2016	1,353,424	(1,353,424)	-	20,270,397	6.68%
2015	1,350,898	(1,350,898)	-	19,639,708	6.88%

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

See accompanying notes to the required supplementary information

DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended 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 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 two-digit subfunction level for the general fund and at the one-digit function level for all other 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.
- Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023**

NOTE 2 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following individual funds had functions that had an excess of actual expenditures over budget of \$5,000 or more for the year ended June 30, 2023.

Fund	Function	Amount
General Fund	Business Administration	\$ 30,695
General Fund	Operation and Maintenance	302,343
General Fund	Pupil Transportation	38,784
General Fund	Insurance	35,821

In each of the funds, the District had sufficient revenues, fund balance, other financial sources and/or expenditures less than the budget in other functions to support the amounts listed above. In total, General Fund expenditures were \$138,338 over budget and, in total, Special Education expenditures were \$188,528 under budget.

NOTE 3 DISTRICT NET OPEB LIABILITY SCHEDULES

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.

Actuarial Assumptions. Key methods and assumptions used to calculate actuarially determined contributions (ADC) were as follows:

Valuation Date	6/30/2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	30 year Level \$
Discount Rate	4.00%
Inflation	2.50%

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Since assets are held solely in Money Market accounts, the discount rate was updated based on the S&P Municipal Bond 20 Year High Grade Index as of the week of the measurement date (4.00%). All other assumptions and methods remained unchanged from the actuarial valuation performed as of June 30, 2021.

DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended 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 1 preceding year.

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 postretirement 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-end 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 postretirement 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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023**

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2022	2021	2020	2019	2018
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	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed	Level Percent of Payroll-Closed
Amortization Period:	Amortization Period	Amortization Period	Amortization Period	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)
Actuarial Assumptions					
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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023**

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:

	2017	2016	2015	2014	2013
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)
Actuarial Assumptions					
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%
Salary Increases					
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 2012 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.

DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended 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 of Benefit Terms. There were no recent changes in benefit terms.

Changes in Assumptions: In addition to the rate changes detailed in the tables in Note 9 to the financial statements, 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

OTHER SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2023

	<u>Special Revenue Funds</u>				<u>Nonmajor Special Revenue Funds</u>	<u>Capital Project Fund</u>		<u>Total Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Funds</u>
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Package Cooperative</u>		<u>Capital Expansion Fund</u>	<u>Capital Improvement Trust</u>		
ASSETS									
Cash and Investments	\$ 858,403	\$ 474,056	\$ 19,189	\$ -	\$ 1,351,648	\$ -	\$ -	\$ -	\$ 1,351,648
Restricted Cash and Investments	-	-	-	-	-	2,603,082	1,503,450	4,106,532	4,106,532
Receivables:									
Accounts	400	18,880	20,974	-	40,254	-	-	-	40,254
Due from Other Funds	-	-	-	-	-	-	26,798	26,798	26,798
Due from Other Governments	-	-	-	11,854	11,854	-	-	-	11,854
Inventory	-	18,781	-	-	18,781	-	-	-	18,781
Prepaid Expenses	-	2,160	-	-	2,160	-	-	-	2,160
TOTAL ASSETS	<u>\$ 858,803</u>	<u>\$ 513,877</u>	<u>\$ 40,163</u>	<u>\$ 11,854</u>	<u>\$ 1,424,697</u>	<u>\$ 2,603,082</u>	<u>\$ 1,530,248</u>	<u>\$ 4,133,330</u>	<u>\$ 5,558,027</u>
LIABILITIES									
Accounts Payable	\$ 30,874	\$ 5,957	\$ -	\$ 9,751	\$ 46,582	\$ 118,613	\$ 340,329	\$ 458,942	\$ 505,524
Accrued Salaries and Wages	-	235	11,073	-	11,308	-	-	-	11,308
Payroll Taxes and Withholdings	-	34	847	-	881	-	-	-	881
Due to Other Funds	-	-	-	2,103	2,103	-	-	-	2,103
Food Service Deposits	-	75,046	-	-	75,046	-	-	-	75,046
Total Liabilities	<u>30,874</u>	<u>81,272</u>	<u>11,920</u>	<u>11,854</u>	<u>135,920</u>	<u>118,613</u>	<u>340,329</u>	<u>458,942</u>	<u>594,862</u>
FUND BALANCES									
Nonspendable	-	20,941	-	-	20,941	-	-	-	20,941
Restricted	827,929	411,664	28,243	-	1,267,836	2,484,469	1,189,919	3,674,388	4,942,224
Total Fund Balances	<u>827,929</u>	<u>432,605</u>	<u>28,243</u>	<u>-</u>	<u>1,288,777</u>	<u>2,484,469</u>	<u>1,189,919</u>	<u>3,674,388</u>	<u>4,963,165</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 858,803</u>	<u>\$ 513,877</u>	<u>\$ 40,163</u>	<u>\$ 11,854</u>	<u>\$ 1,424,697</u>	<u>\$ 2,603,082</u>	<u>\$ 1,530,248</u>	<u>\$ 4,133,330</u>	<u>\$ 5,558,027</u>

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023**

	Special Revenue Funds				Total Nonmajor Special Revenue Funds	Capital Project Fund			Total Nonmajor Capital Project Funds	Total Nonmajor Funds
	Special Revenue Trust	Food Service	Community Service	Package Cooperative		Capital Projects Fund	Capital Expansion Fund	Capital Improvement Trust		
REVENUES										
Property Taxes	\$ -	\$ -	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ 590,000
Other Local Sources	897,573	1,055,970	154,241	97,572	2,205,356	1,800	70,416	52,759	124,975	2,330,331
State Sources	-	31,726	-	-	31,726	-	-	-	-	31,726
Federal Sources	-	853,545	-	11,854	865,399	-	-	-	-	865,399
Other Sources	-	6,736	-	-	6,736	183,847	-	-	183,847	190,583
	<u>897,573</u>	<u>1,947,977</u>	<u>244,241</u>	<u>109,426</u>	<u>3,199,217</u>	<u>185,647</u>	<u>570,416</u>	<u>52,759</u>	<u>808,822</u>	<u>4,008,039</u>
Total Revenue										
	897,573	1,947,977	244,241	109,426	3,199,217	185,647	570,416	52,759	808,822	4,008,039
EXPENDITURES										
Current:										
Instruction:										
Regular Instruction	130,088	-	-	-	130,088	-	-	-	-	130,088
Vocational Instruction	-	-	-	11,854	11,854	-	-	-	-	11,854
Other Instruction	659,042	-	-	76,176	735,218	-	-	-	-	735,218
Total Instruction	<u>789,130</u>	<u>-</u>	<u>-</u>	<u>88,030</u>	<u>877,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,160</u>
Support Services:										
Building Administration Services	919	-	-	-	919	-	-	-	-	919
Operation and Maintenance	2,750	21,263	12,824	24,313	61,150	-	6,253	-	6,253	67,403
Pupil Transportation	59,164	-	-	12,572	71,736	-	-	-	-	71,736
Central Services	-	542	-	-	542	-	-	-	-	542
Insurance	-	-	-	-	-	5,635	-	-	5,635	5,635
Food Services	-	2,040,959	-	-	2,040,959	-	-	-	-	2,040,959
Community Services	-	-	188,704	-	188,704	-	-	-	-	188,704
Other Support Services	-	218	-	-	218	-	-	-	-	218
Total Support Services	<u>62,833</u>	<u>2,062,982</u>	<u>201,528</u>	<u>36,885</u>	<u>2,364,228</u>	<u>5,635</u>	<u>6,253</u>	<u>-</u>	<u>11,888</u>	<u>2,376,116</u>
Non-program Services	12,301	-	7,870	6,370	26,541	-	-	-	-	26,541
Capital Outlay	-	-	-	-	-	3,400,274	509,054	2,525,096	6,434,424	6,434,424
Total Expenditures	<u>864,264</u>	<u>2,062,982</u>	<u>209,398</u>	<u>131,285</u>	<u>3,267,929</u>	<u>3,405,909</u>	<u>515,307</u>	<u>2,525,096</u>	<u>6,446,312</u>	<u>9,714,241</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,309</u>	<u>(115,005)</u>	<u>34,843</u>	<u>(21,859)</u>	<u>(68,712)</u>	<u>(3,220,262)</u>	<u>55,109</u>	<u>(2,472,337)</u>	<u>(5,637,490)</u>	<u>(5,706,202)</u>
OTHER FINANCING SOURCES (USES)										
Transfer In	-	-	-	21,859	21,859	-	-	126,798	126,798	148,657
Transfer Out	(27,049)	-	-	-	(27,049)	-	-	-	-	(27,049)
Total Other Financing Sources (Uses)	<u>(27,049)</u>	<u>-</u>	<u>-</u>	<u>21,859</u>	<u>(5,190)</u>	<u>-</u>	<u>-</u>	<u>126,798</u>	<u>126,798</u>	<u>121,608</u>
Net Change in Fund Balances	<u>6,260</u>	<u>(115,005)</u>	<u>34,843</u>	<u>-</u>	<u>(73,902)</u>	<u>(3,220,262)</u>	<u>55,109</u>	<u>(2,345,539)</u>	<u>(5,510,692)</u>	<u>(5,584,594)</u>
FUND BALANCES - BEGINNING	<u>821,669</u>	<u>547,610</u>	<u>(6,600)</u>	<u>-</u>	<u>1,362,679</u>	<u>3,220,262</u>	<u>2,429,360</u>	<u>3,535,458</u>	<u>9,185,080</u>	<u>10,547,759</u>
FUND BALANCES - ENDING	<u>\$ 827,929</u>	<u>\$ 432,605</u>	<u>\$ 28,243</u>	<u>\$ -</u>	<u>\$ 1,288,777</u>	<u>\$ -</u>	<u>\$ 2,484,469</u>	<u>\$ 1,189,919</u>	<u>\$ 3,674,388</u>	<u>\$ 4,963,165</u>