



ADAMS-FRIENDSHIP AREA SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2023

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Adams-Friendship Area School District
June 30, 2023
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Adams-Friendship Area School District
Friendship, Wisconsin

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adams-Friendship Area School District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows 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 State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 event, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the local retiree life insurance fund schedules, schedule of changes in the District's total OPEB liability and related ratios, and Wisconsin Retirement System schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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



JOHNSON BLOCK
CPAs

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis. 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 audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 30, 2023

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Adams-Friendship Area School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,690,922	\$ 493,927	\$ 7,184,849
Receivables:			
Taxes	2,870,070		2,870,070
Other governments	442,184	20,094	462,278
Prepaid expenses	64,496		64,496
Inventory		17,537	17,537
Total current assets	<u>10,067,672</u>	<u>531,558</u>	<u>10,599,230</u>
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	38,594,375	593,563	39,187,938
Less: accumulated depreciation	(20,336,098)	(269,827)	(20,605,925)
Right to use leased assets			
Net accumulated amortization of \$47,406	54,181		54,181
Net book value of capital assets	<u>18,312,458</u>	<u>323,736</u>	<u>18,636,194</u>
Total noncurrent assets	<u>18,312,458</u>	<u>323,736</u>	<u>18,636,194</u>
Total assets	<u>28,380,130</u>	<u>855,294</u>	<u>29,235,424</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension outflows	10,989,852	264,040	11,253,892
OPEB - group life insurance plan outflows	250,858	11,888	262,746
OPEB - District health insurance plan outflows	137,020		137,020
Total deferred outflows of resources	<u>11,377,730</u>	<u>275,928</u>	<u>11,653,658</u>
Total assets and deferred outflows of resources	<u>\$ 39,757,860</u>	<u>\$ 1,131,222</u>	<u>\$ 40,889,082</u>

Exhibit A-1 (Continued)
Adams-Friendship Area School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 78,106	\$ 15,638	\$ 93,744
Accrued payroll	648,388		648,388
Self-funded dental insurance deposits	21,471		21,471
Dental benefit claims payable	11,669		11,669
Accrued interest	337		337
Unearned revenue		3,621	3,621
Current portion of long-term obligations	169,824	4,834	174,658
Total current liabilities	<u>929,795</u>	<u>24,093</u>	<u>953,888</u>
Noncurrent liabilities:			
Notes and bonds payable	279,874		279,874
Lease liability	59,031		59,031
Net pension liability	3,017,248	72,492	3,089,740
Net OPEB liability - group life insurance plan	577,039	27,344	604,383
Total OPEB liability - District health insurance plan	201,134		201,134
Compensated absences	234,263	19,334	253,597
Less: current portion of long-term obligations	(169,824)	(4,834)	(174,658)
Total noncurrent liabilities	<u>4,198,765</u>	<u>114,336</u>	<u>4,313,101</u>
Total liabilities	<u>5,128,560</u>	<u>138,429</u>	<u>5,266,989</u>
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	6,327,136	152,015	6,479,151
OPEB - group life insurance plan inflows	417,876	19,802	437,678
OPEB - District health insurance plan inflows	13,051		13,051
Total deferred inflows of resources	<u>6,758,063</u>	<u>171,817</u>	<u>6,929,880</u>
NET POSITION			
Net investment in capital assets	17,973,553	323,736	18,297,289
Restricted for:			
Common school fund library aid	13,894		13,894
Get Kids Ahead Initiative	38,060		38,060
Back to school supplemental aid	132,806		132,806
Self-funded dental insurance	200,045		200,045
Debt service	59,752		59,752
Special revenue fund projects	777,999		777,999
Community programs and services	77,772		77,772
Food service		497,240	497,240
Unrestricted	<u>8,597,356</u>		<u>8,597,356</u>
Total net position	<u>27,871,237</u>	<u>820,976</u>	<u>28,692,213</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 39,757,860</u>	<u>\$ 1,131,222</u>	<u>\$ 40,889,082</u>

Exhibit A-2
Adams-Friendship Area School District
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 7,785,555	\$ 224,550	\$ 2,519,577	\$	\$ (5,041,428)	\$	\$ (5,041,428)
Vocational instruction	713,975		13,517		(700,458)		(700,458)
Special instruction	3,056,705	54,380	1,397,963		(1,604,362)		(1,604,362)
Other instruction	1,010,287	23,166	222,594		(764,527)		(764,527)
Total instruction	12,566,522	302,096	4,153,651		(8,110,775)		(8,110,775)
Support services:							
Pupil services	1,232,150		132,320		(1,099,830)		(1,099,830)
Instructional staff services	1,322,094		569,383	199,946	(552,765)		(552,765)
General administration services	585,669				(585,669)		(585,669)
Building administration services	1,211,475				(1,211,475)		(1,211,475)
Business administration services	3,399,152	26,510	232,767	57,949	(3,081,926)		(3,081,926)
Central services	49,125		645		(48,480)		(48,480)
Insurance	272,214				(272,214)		(272,214)
Interest and fiscal charges	12,893				(12,893)		(12,893)
Other support services	626,275		17,000		(609,275)		(609,275)
Depreciation - unallocated	997,001				(997,001)		(997,001)
Amortization - unallocated	20,317				(20,317)		(20,317)
Total support services	9,728,365	26,510	952,115	257,895	(8,491,845)		(8,491,845)
Community services:							
Other community services	182,322				(182,322)		(182,322)
Non-program transactions:							
Purchased instruction	1,643,701		83,000		(1,560,701)		(1,560,701)
Other non-program transactions	68,083				(68,083)		(68,083)
Scholarships	79,807				(79,807)		(79,807)
Total non-program transactions	1,791,591		83,000		(1,708,591)		(1,708,591)
Total governmental activities	24,268,800	328,606	5,188,766	257,895	(18,493,533)		(18,493,533)
Business-type activities:							
Food service	1,210,872	42,626	1,106,948			(61,298)	(61,298)
Total	\$ 25,479,672	\$ 371,232	\$ 6,295,714	\$ 257,895	(18,493,533)	(61,298)	(18,554,831)
General revenues:							
Property taxes:							
General purposes					9,443,660		9,443,660
Debt services					97,520		97,520
Community services					200,000		200,000
Other taxes					5,067		5,067
Federal and State aid not restricted for specific purposes:							
General					7,433,005		7,433,005
Interest and investment earnings					237,554		237,554
Gain on sale of assets					19,724		19,724
Miscellaneous					343,388		343,388
Total general revenues					17,779,918		17,779,918
Changes in net position					(713,615)	(61,298)	(774,913)
Net position - beginning					28,584,852	882,274	29,467,126
Net position - ending					\$ 27,871,237	\$ 820,976	\$ 28,692,213

Exhibit A-3
Adams-Friendship Area School District
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,764,970	\$ 60,089	\$ 865,863	\$ 6,690,922
Receivables:				
Taxes	2,870,070			2,870,070
Other governments	442,184			442,184
Prepaid expenditures	64,496			64,496
Total assets	<u>\$ 9,141,720</u>	<u>\$ 60,089</u>	<u>\$ 865,863</u>	<u>\$ 10,067,672</u>
LIABILITIES				
Accounts payable	\$ 68,014	\$	\$ 10,092	\$ 78,106
Accrued payroll	648,388			648,388
Self-funded dental insurance deposits	21,471			21,471
Dental benefit claims payable	11,669			11,669
Total liabilities	<u>749,542</u>		<u>10,092</u>	<u>759,634</u>
FUND BALANCES				
Nonspendable	64,496			64,496
Restricted	384,805	60,089	855,771	1,300,665
Unassigned	7,942,877			7,942,877
Total fund balances	<u>8,392,178</u>	<u>60,089</u>	<u>855,771</u>	<u>9,308,038</u>
Total liabilities and fund balances	<u>\$ 9,141,720</u>	<u>\$ 60,089</u>	<u>\$ 865,863</u>	<u>\$ 10,067,672</u>

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

Total fund balances - governmental funds: \$ 9,308,038

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds:

Governmental capital assets	38,594,375	
Governmental accumulated depreciation	<u>(20,336,098)</u>	18,258,277

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

Right to use leased assets, net accumulated amortization of \$47,406		54,181
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Pension and OPEB deferred outflows of resources and deferred inflows of resources
are actuarially determined by the defined benefit pension plans.

These items are reflected in the statement of net position and are being
amortized with pension and OPEB expense in the statement of activities.

The deferred outflows of resources and deferred inflows of resources
are not financial resources and therefore, not reported in the fund statements.

Deferred outflows of resources		11,377,730
Deferred inflows of resources		(6,758,063)

Long-term liabilities, including compensated absences and lease liability are not
due in the current period and therefore are not reported in the fund statements.

Long-term liabilities reported in the statement of net position that are not reported
in the funds balance sheet are:

Bonds and notes payable	279,874	
Net pension liability	3,017,248	
Lease liability	59,031	
Accrued interest	337	
OPEB - group life insurance plan	577,039	
OPEB - District health insurance plan	201,134	
Compensated absences	<u>234,263</u>	<u>(4,368,926)</u>

Total net position - governmental activities	<u><u>\$ 27,871,237</u></u>
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Exhibit A-5
Adams-Friendship Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 9,448,727	\$ 97,520	\$ 200,000	\$ 9,746,247
Other local sources	281,973	117	387,429	669,519
Interdistrict sources	224,550			224,550
Intermediate sources	139,606			139,606
State sources	9,418,822			9,418,822
Federal sources	3,018,194			3,018,194
Other sources	318,525			318,525
Total revenues	<u>22,850,397</u>	<u>97,637</u>	<u>587,429</u>	<u>23,535,463</u>
EXPENDITURES				
Instruction:				
Regular instruction	7,233,684		152,464	7,386,148
Vocational instruction	635,388		44,998	680,386
Special instruction	2,892,147			2,892,147
Other instruction	876,047		95,462	971,509
Total instruction	<u>11,637,266</u>		<u>292,924</u>	<u>11,930,190</u>
Support services:				
Pupil services	1,162,970			1,162,970
Instructional staff services	1,495,621			1,495,621
General administration services	557,279			557,279
Building administration services	1,144,945			1,144,945
Business administration services	4,498,728		970	4,499,698
Central services	48,070		817	48,887
Insurance	272,214			272,214
Principal and interest	23,040	97,520		120,560
Other support services	626,275			626,275
Total support services	<u>9,829,142</u>	<u>97,520</u>	<u>1,787</u>	<u>9,928,449</u>
Community services:				
Other community services			179,807	179,807
Non-program transactions:				
Purchased instructional services	1,643,701			1,643,701
Other non-program transactions	68,083			68,083
Scholarships			79,807	79,807
Total non-program transactions	<u>1,711,784</u>		<u>79,807</u>	<u>1,791,591</u>
Total expenditures	<u>23,178,192</u>	<u>97,520</u>	<u>554,325</u>	<u>23,830,037</u>
Excess (deficiency) of revenues over expenditures	<u>(327,795)</u>	<u>117</u>	<u>33,104</u>	<u>(294,574)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	25,473			25,473
Net change in fund balances	(302,322)	117	33,104	(269,101)
Fund balances - beginning of year	8,694,500	59,972	822,667	9,577,139
Fund balances - end of year	<u>\$ 8,392,178</u>	<u>\$ 60,089</u>	<u>\$ 855,771</u>	<u>\$ 9,308,038</u>

See accompanying notes to the basic financial statements.

Exhibit A-6
Adams-Friendship Area School District
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 \$ (269,101)

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

The acquisition of capital assets and right-to-use leased assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital/lease outlay reported in governmental fund statements	1,487,894	
Depreciation expenses reported in the statement of activities	(1,151,948)	
Amortization expenses reported in the statement of activities	<u>(20,317)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		315,629

The net effect of various miscellaneous transactions involving capital assets (e.g. sales trade-ins, donations, and disposals) is to increase/decrease net position: (5,750)

Vested employee benefits are reported in the governmental funds when amounts are paid

The statement of activities reports the value of benefits earned during the year		
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(55,444)
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		12,763
Change in compensated absences		15,226

Long-term proceeds, including lease liabilities, provide current financial resources to government funds but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of principal on long-term debt is reported in 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

Principal payments on loans	88,048	
Principal payments on liabilities	<u>19,512</u>	
		107,560

In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.

The amount of interest paid during the current period	13,000	
The amount of interest accrued during the current period	<u>(12,893)</u>	
Interest paid is greater (less) than interest accrued in the current period		107

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 asset/liability from the prior year to the current year, with some adjustments.

Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension asset/liability between years, with adjustments.	<u>(834,605)</u>	
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Change in net position - governmental activities \$ (713,615)

Exhibit A-7
Adams-Friendship Area School District
Statement of Net Position
Proprietary Fund
June 30, 2023

	Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 493,927
Due from other government	20,094
Inventory	17,537
Total current assets	531,558
Noncurrent assets:	
Capital assets:	
Property, plant and equipment	593,563
Accumulated depreciation	(269,827)
Net book value of capital assets	323,736
Total noncurrent assets	323,736
Total assets	855,294
DEFERRED OUTFLOWS OF RESOURCES	
Pension outflows	264,040
OPEB - group life insurance plan outflows	11,888
Total deferred outflows of resources	275,928
Total assets and deferred outflows of resources	\$ 1,131,222
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 15,638
Unearned revenue	3,621
Current portion of long-term debt	4,834
Total current liabilities	24,093
Noncurrent liabilities:	
Compensated absences	19,334
Net pension liability	72,492
Net OPEB liability - group life insurance plan	27,344
Less: current portion of long-term debt	(4,834)
Total noncurrent liabilities	114,336
Total liabilities	138,429
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	152,015
Net OPEB liability - group life insurance plan inflows	19,802
Total deferred inflows of resources	171,817
NET POSITION	
Net investment in capital assets	323,736
Restricted for food service	497,240
Total net position	820,976
Total liabilities, deferred inflows of resources, and net position	\$ 1,131,222

See accompanying notes to the basic financial statements.

Exhibit A-8
Adams-Friendship Area School District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	<u>Food Service</u>
OPERATING REVENUES	
Food sales	\$ 42,626
State sources	14,302
Federal sources	<u>1,092,646</u>
 Total operating revenues	 <u>1,149,574</u>
OPERATING EXPENSES	
Salaries and wages	319,899
Employee benefits	165,086
Purchased services	41,693
Supplies, food and materials	654,906
Depreciation	<u>29,288</u>
 Total operating expenses	 <u>1,210,872</u>
 Operating income (loss)	 (61,298)
 Net position - beginning of year	 <u>882,274</u>
Net position - end of year	<u><u>\$ 820,976</u></u>

Exhibit A-9
Adams-Friendship Area School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	Food Service
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	
Received from user charges	\$ 16,349
Received from other government payments	1,021,057
Payments to employees for services	(459,764)
Payments to suppliers for goods and services	(601,697)
Net cash flows from operating activities	(24,055)
 CASH FLOWS (USED BY) CAPITAL AND RELATING FINANCING ACTIVITIES	
Purchase of capital assets	(146,469)
Net change in cash and cash equivalents	(170,524)
Cash and cash equivalents - beginning of year	664,451
Cash and cash equivalents - end of year	\$ 493,927
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (61,298)
Noncash items in change in net position:	
Depreciation expense	29,288
Employer pension	25,636
Employer OPEB - group life insurance plan	3,201
Changes in assets and liabilities:	
Due from other government	(3,345)
Inventory	2,904
Accounts payable	9,452
Compensated absences	(3,616)
Unearned revenue	(26,277)
Net cash provided by operating activities	\$ (24,055)
 NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year the District received commodities from the U.S. Department of Agriculture	\$ 82,546

NOTES TO THE BASIC FINANCIAL STATEMENTS

Adams-Friendship Area School District
June 30, 2023
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is organized as a common school district governed by an elected nine-member school board. The District operates grades kindergarten through 12 and is comprised of all or parts of fifteen taxing districts.

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

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

B. Basis of Presentation

District-wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Governmental Funds

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.

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

The District reports the following nonmajor funds:

Special Revenue Funds – The District reports the following nonmajor special revenue funds:

Community Service Fund – accounts for activities associated with providing recreational and enrichment programs to the community.

Special Revenue Trust Fund – accounts for trust funds that can be used for District operations. The source of such funds is gifts and donations from private parties.

Proprietary Fund

The District reports the following major proprietary fund:

Food Service Fund – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Charges for services provided by 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.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities

Cash and Investments

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 non-major funds.

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

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

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

Accounts Receivable

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

Inventory and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund and governmental activities consist of expendable supplies held for consumption. Such items, which are not material, are recorded as expenditures when purchased and, accordingly, are not reflected.

Inventories of proprietary fund types are valued at cost based on weighted average and are charged to expenses or are capitalized when used.

Capital Assets

District-wide Statements

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

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated life of greater than one year. All capital assets, or groups of assets, that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are disposed of are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful are expensed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Capital Assets (Continued)

District-wide Statements (Continued)

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:

Buildings	50 years
Site improvements	20 years
Furniture, equipment, and vehicles	5-20 years
Computer and related hardware*	5 years
Software	10-15 years

*For purposes of determining the capitalization threshold for these items, the District does not group purchases for the year.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same way as in the District-wide statements.

Right to use Leased Assets

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

Long-Term Obligations

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

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the District-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Vested Employee Benefits

Compensated Absences

Vacation. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees based on their contracts with more than one year of service. The District employees are granted vacation in varying amounts, based on length of service. Vacation leave earned in the preceding year must be used within one year of the employee's anniversary date with the exception they may carry over to the following year up to one-third of their annual vacation for designation as a contribution to the Health Care Retirement Plan.,

Sick Pay. The District's policy allows employees to earn varying amounts of sick pay each year employed, accumulating to a maximum vested amount of 120 days for teachers and 65 days for nonteachers. Upon retirement or termination of employment, the employee is entitled to a per qualifying day payout, based upon the appropriate labor agreement.

The compensated absence liability is reported on the District-wide financial statements and the proprietary fund.

For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

Other Postemployment Benefits

The District's single employer other postemployment benefit (OPEB) is described in Note 7. The single employer OPEB consists of retiree health insurance to eligible employees and their spouses or dependents for those employees who retired prior to July 1, 2014. Employees who retire after July 1, 2014 can elect to continue on the District's health insurance plan but would be responsible for the full amount of the premium. An estimate of the value of future benefits is disclosed in Note 7. The unfunded benefit liability is reported on the government-wide financial statements.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the following:

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

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information on the LRLIF OPEB is in Note 8.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. 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 and proprietary fund statements as expenses when the related liabilities are incurred. There were no significant claims or judgements at year-end.

F. Estimates

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

G. Interfund Transactions

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

H. Equity Classifications

District-wide Statements and Proprietary Fund Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

Governmental Fund Statements

Governmental fund equity is classified as fund balance. The District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent can be expressed by the Board or by an individual or subordinate high-level body to which the Board has delegated authority. Assigned fund balance includes all remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

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

The Board may authorize and direct an individual to assign fund balances for specific purposes; to the extent such assignment does not create a negative unassigned fund balance. As of June 30, 2023, the Board has not authorized any individual with the authority to assign funds.

The Board places the responsibility of administering the budget, once adopted, with the District Administrator. The District Administrator shall monitor the general fund balance and shall report the balance to the Board at the end of each budget year. The fund balance shall be maintained at a level sufficient to avoid short-term borrowing for cash flow purposes.

As of June 30, 2023, unassigned general fund balance was 34.3% of current year expenditures.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Risk Management

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

J. Pensions

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

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

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by 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 reports 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 items that qualify for reporting in this category. The deferred outflows of resources are for the WRS pension system, OPEB – group life insurance plan, and OPEB – health insurance plan.

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

L. Change in Accounting Principle

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

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

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

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of three broad categories. The amounts shown on the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities in the basic financial statements represent:

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

NOTE 3 CASH AND INVESTMENTS

At June 30, 2023, the cash and investments included the following:

<u>Account Balances</u>	
Deposits with financial institutions	\$ 576,447
Local government investment pool	<u>6,608,402</u>
	<u>\$ 7,184,849</u>

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Per statement of net position	<u>\$ 7,184,849</u>
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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Investments Authorized by the District's Investment Policy

The Adams-Friendship Board of Education authorizes the District Administrator to make investments of available monies from the funds of the District on a competitive basis in:

- A. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the State, if the time deposits mature in not more than three (3) years;
- B. Bonds or securities issued or guaranteed as to principal and interest by the Federal government or by a commission, board, or other instrumentality of the federal government;
- C. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district in the State;
- D. Other securities authorized by 66.0603;
- E. The local government pooled-investment fund.

The purpose of the investments is to maximize the returns on the District's cash balances consistent with safety of those monies and with the desired liquidity of the investments.

Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves.

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The District’s investment policy is that all time deposits mature in not more than three years.

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

Investment Type	<u>Remaining Maturity (in months)</u>	
	Amount	12 Months or less
Local government investment pool	\$ 6,608,402	\$ 6,608,402

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2023, the District’s investments in the Wisconsin Local Government Investment Pool was not rated.

Custodial Credit Risk

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

Federal Deposit Insurance Corporation (FDIC) Insurance

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

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Collateralization of Public Unit Deposits

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

Bank accounts and the Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 above the amount of FDIC insurance at each public depository. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

As of June 30, 2023, \$334,628 of the District's deposits with financial institutions were insured by the FDIC and \$431,413 of the District's deposits were in excess of FDIC limits. \$238,368 of this amount is collateralized by securities held in the District's name by a local financial institution. Remaining deposits of \$193,045 were held in uncollateralized accounts. All of this amount would be insured by the State of Wisconsin Guarantee Fund, provided funds are available at the time of any potential loss.

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

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2023, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

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

Investment allocation in the local government investment pool as of June 30, 2023 was: 98% in U.S. Government Securities and 2% in Certificates of Deposits and Bankers' Acceptance. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 4

CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 239,150	\$	\$	\$ 239,150
Construction work-in-progress	1,093,868		(1,093,868)	
Total capital assets not being depreciated	<u>1,333,018</u>		<u>(1,093,868)</u>	<u>239,150</u>
<i>Capital assets, being depreciated:</i>				
Site improvements	1,513,777	21,362		1,535,139
Buildings	31,007,966	2,216,956		33,224,922
Vehicles	487,726	81,652	(15,173)	554,205
Furniture and equipment	2,794,967	261,792	(15,800)	3,040,959
Total capital assets, being depreciated	<u>35,804,436</u>	<u>2,581,762</u>	<u>(30,973)</u>	<u>38,355,225</u>
Total capital assets	<u>37,137,454</u>	<u>2,581,762</u>	<u>(1,124,841)</u>	<u>38,594,375</u>
<i>Less accumulated depreciation:</i>				
Site improvements	1,167,806	41,495		1,209,301
Buildings	15,425,675	979,260		16,404,935
Vehicles	363,501	48,611	(15,173)	396,939
Furniture and equipment	2,252,391	82,582	(10,050)	2,324,923
Total accumulated depreciation	<u>19,209,373</u>	<u>1,151,948</u>	<u>(25,223)</u>	<u>20,336,098</u>
Total capital assets being depreciated	<u>17,928,081</u>	<u>1,429,814</u>	<u>(1,099,618)</u>	<u>18,258,277</u>
<i>Right to use leased assets:</i>				
Copy machine	101,587			101,587
<i>Less accumulated amortization:</i>				
Copy machine	27,089	20,317		47,406
Total net right to use leased assets	<u>74,498</u>	<u>(20,317)</u>		<u>54,181</u>
Total net capital assets	<u>\$ 18,002,579</u>	<u>\$ 1,409,497</u>	<u>\$ (1,099,618)</u>	<u>\$ 18,312,458</u>
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Construction work-in-progress	\$ 43,634	\$	\$ (43,634)	\$
Total capital assets not being depreciated	<u>43,634</u>		<u>(43,634)</u>	
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	403,460	83,324		486,784
Buildings		106,779		106,779
Less: accumulated depreciation	240,539	29,288		269,827
Total net capital assets	<u>\$ 206,555</u>	<u>\$ 160,815</u>	<u>\$ (43,634)</u>	<u>\$ 323,736</u>

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 4

CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental fund functions as follows:

Instructional staff services	\$ 225,090
Business administration	1,262,804
Total capital outlay	<u>\$ 1,487,894</u>

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental activities:	
Regular instruction	\$ 26,006
Vocational instruction	2,396
Special instruction	10,183
Other instruction	3,421
Pupil services	5,663
Instructional staff services	7,283
General administration services	2,724
Building administration services	5,575
Business administration services	91,458
Central services	238
Unallocated depreciation	997,001
Total depreciation for governmental activities	<u>\$ 1,151,948</u>
Business-type activities:	
Food service	<u>\$ 29,288</u>

Amortization expense was charged to functions as follows:

Unallocated amortization	<u>\$ 20,317</u>
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NOTE 5

SHORT -TERM AND LONG-TERM OBLIGATIONS

A. Short-Term Liabilities

At times, the District issues tax anticipation notes in advance of property tax collections. The notes are necessary because payments for the year begin in July whereas the tax collections are received from the municipalities beginning in January. The District did not use the tax anticipation notes during the year ended June 30, 2023.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 5 SHORT -TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

B. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 367,922	\$	\$ (88,048)	\$ 279,874	\$ 90,735
Lease liability	78,543		(19,512)	59,031	20,523
Vested employee benefits	249,489	11,264	(26,490)	234,263	58,566
Total governmental activities long-term debt	\$ 695,954	\$	\$ (134,050)	\$ 573,168	\$ 169,824
Business-type activities:					
Vested employee benefits	\$ 22,950	\$ 452	\$ (4,068)	\$ 19,334	\$ 4,834

The vested employee benefits liability attributed to governmental activities is typically being liquidated in the general fund.

The District does not currently have any long-term debt for business-type activities other than vested employee benefits.

Total interest paid and accrued during the year ended June 30, 2023:

	Expense	Paid
Long-term debt	\$ 9,365	\$ 9,472
Lease liability	3,528	3,528
Totals	\$ 12,893	\$ 13,000

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2023 is comprised of the following individual issues:

Description	Issue Date	Interest Rate	Date of Maturity	Balance 6/30/2023
2016 G.O. promissory notes	6/14/2016	2.75%	6/14/2026	\$ 279,874

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 5

SHORT - TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

B. Long-Term Liabilities (Continued)

The 2022 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$1,865,747,357. The legal debt limit and margin of indebtedness as of June 30, 2023 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,865,747,357)	\$ 186,574,736
Deduct long-term debt applicable to debt margin	<u>(279,874)</u>
Margin of indebtedness	<u><u>\$ 186,294,862</u></u>

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

Year Ended June 30,	Governmental Activities		
	Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2024	\$ 90,735	\$ 6,785	\$ 97,520
2025	93,274	4,246	97,520
2026	95,865	1,655	97,520
Totals	<u>\$ 279,874</u>	<u>\$ 12,686</u>	<u>\$ 292,560</u>

C. Lease Liabilities

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

Years Ended June 30,	Principal	Interest	Total
2024	\$ 20,523	\$ 2,517	\$ 23,040
2025	21,587	1,453	23,040
2026	16,921	359	17,280
Totals	<u>\$ 59,031</u>	<u>\$ 4,329</u>	<u>\$ 63,360</u>

NOTE 6

DEFINED BENEFIT PENSION PLAN

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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 issued 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.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6

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 \$677,492 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%

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6

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 (asset) of \$3,089,741 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability (asset) 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 .05832226%, which was a decrease of .00118188% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District's recognized pension expense (revenue) of \$1,570,703.

Pension amounts have been allocated to business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the business-type activities relative to the total contributions made by the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,920,999	\$ 6,465,088
Net differences between projected and actual earnings on pension plan investments	5,248,756	
Changes in assumptions	607,570	
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,102	14,063
Employer contributions subsequent to the measurement date	438,465	
Total	\$ 11,253,892	\$ 6,479,151

\$438,465 reported as Deferred Outflows of Resources related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the year ended June 30, 2024.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2024	\$ 180,602
2025	900,256
2026	926,076
2027	2,329,342
Total	\$ 4,336,276

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

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments	1.7%*

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

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.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Returns ¹			
As of December 31, 2022			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return % ²
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	115	7.4	4.8
Variable Fund Asset Class			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	5.1
¹ Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations ² New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5% ³ The 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%.			

Single Discount rate. A single discount rate of 6.80% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% 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 6.80% 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.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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)	\$ 10,254,748	\$ 3,089,740	\$ (1,839,170)

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN

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

Plan Description. The District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses or dependents. Benefits are paid by the District for those employees who retired prior to July 1, 2014. Employees who retire after July 1, 2014 can elect to continue on the District's health insurance plan but would be responsible for the full amount of the premium. Benefits and eligibility for employees were established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

Funding Policy. The District funds the policy on a pay-as-you-go-basis. There are no assets accumulated in a trust that meet the criteria in *Governmental Accounting Standards* to pay related benefits.

Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefit payments	2
Active employees	195
	<u>215</u>

Total OPEB Liability. The District's total OPEB Liability of \$201,134 was measured at June 30, 2022.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

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

Inflation	2.50 percent
Salary increases	2.50 percent, average, including inflation
Discount rate	4.00 percent
Healthcare cost trend rates	7.00% decreasing to 6.50%, then decreasing by 0.10% per year down to 4.50%, and level thereafter.
Retirees' share of benefit-related costs	Retirees' are responsible for the difference between the total premium costs and the district's premium and HRA contributions.

The discount rate is based on the S&P Municipal Bond 20-Year High Grade Index as of the week of the measurement date.

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

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

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 6/30/2021	<u>\$ 275,554</u>
Changes for the year:	
Service cost	4,112
Interest	4,112
Changes of benefit terms	
Differences between expected and actual experience	(14,501)
Changes of assumptions or other inputs	121,595
Benefit payments	<u>(185,626)</u>
Net Changes	<u>(74,420)</u>
Balance at 6/30/2022	<u><u>\$ 201,134</u></u>

There were no changes of benefit terms.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (4.00 percent) than the current discount rate:

		1% Decrease to Discount Rate (3.00%)	Current Discount Rate (4.00%)	1% Increase to Discount Rate (5.00%)
Total OPEB Liability	6/30/2022	\$ 208,671	\$ 201,134	\$ 193,825

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following represents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

		1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
Total OPEB Liability	6/30/2022	\$ 189,692	\$ 201,134	\$ 214,261

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 \$4,112. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$	\$ 13,051
Changes of assumptions or other inputs	109,435	
Contributions after the measurement date	27,585	
Total	\$ 137,020	\$ 13,051

\$27,585 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. There are no other amounts reported as deferred outflows of resources or deferred inflows of resources related to pension that would will be recognized in pension expense in future years.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN

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

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

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

Benefits provided. The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

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

Employers are required to pay the following contributions based on 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:

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

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating 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			
Member 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.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

During the reporting period, the LRLIF recognized \$3,182 in contributions 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 (asset) of \$604,383 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 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 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 .158638%, which was an increase of .002073% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense (revenue) of \$61,946.

OPEB amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the OPEB plan made by the proprietary fund and business-type activities relative to the total contributions made by the District.

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	\$	\$ (59,149)
Net differences between projected and actual earnings on plan investments	11,340	
Changes in actuarial assumptions	217,141	(356,752)
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,596	(21,777)
Employer contributions subsequent to the measurement date	1,669	
Totals	\$ 262,746	\$ (437,678)

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

\$1,669 reported as deferred outflows related to OPEB resulting from 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	\$ (10,859)
2025	(15,417)
2026	(7,475)
2027	(35,678)
2028	(53,879)
2029	(53,293)
Total	\$ (176,601)

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

Actuarial Valuation Date:	January 1, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*:	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.76%
Salary Increases	
Wage Inflation:	3.00%
Seniority/Merit:	0.10% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO index.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total OPEB Liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers’ general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate remained unchanged from the prior year at 2.30%.

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)	\$ 824,013	\$ 604,383	\$ 436,063

Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9

SELF-FUNDING INSURANCE PROGRAM

The District has established a self-funded dental plan for its employees. The plan administrators (Delta Dental Plan of Wisconsin, Inc.) are 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, 2023.

Accounting and budgeting requirements for the plan are established by the Wisconsin Department of Public Instruction. The plan is accounted for in the general, special education, and food service funds of the District.

As of June 30, 2023, the District reported a liability of \$11,669, 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.

Year	Accrued Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Accrued Balance at End of Year
2022-2023	\$ 12,306	\$ 159,224	\$ (159,861)	\$ 11,669
2021-2022	10,234	166,357	(164,285)	12,306
2020-2021	8,899	186,499	(185,164)	10,234

NOTE 10

LIMITATION OF SCHOOL DISTRICT REVENUES

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

NOTE 11

FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2023 include the following:

Nonspendable:

Major funds:

General fund - prepaid expenditures	\$ 64,496
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Restricted:

Major funds:

General fund - common school fund library aid	13,894
General fund - self-funded dental insurance	200,045
General fund - Get Kids Ahead Initiative	38,060
General fund - back to school supplemental aid	132,806
Debt service fund	60,089

Nonmajor funds:

Special revenue trust fund	777,999
Community service fund	77,772

Total restricted fund balances	1,300,665
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Unassigned:

Major fund:

General fund	7,942,877
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Total governmental fund balances	\$ 9,308,038
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Adams-Friendship Area School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 12

INTERFUND BALANCES AND TRANSFERS

During the fiscal year ended June 30, 2023, \$2,382,330 was transferred from the general fund to the special education fund. This transfer was eliminated in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

NOTE 13

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

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

NOTE 14

PURCHASE COMMITMENTS/SUBSEQUENT EVENTS

Subsequent to June 30, 2023, the District approved a bid to sell Grand Marsh Elementary School for \$160,000.

The following purchases were approved:

- Skid steer not to exceed \$55,500
- Maintenance truck for \$46,868
- Chromebooks for \$103,543

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
Adams-Friendship Area School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original To Actual	Final To Actual
REVENUES					
Property taxes	\$ 9,448,460	\$ 9,448,460	\$ 9,448,727	\$ 267	\$ 267
Other local sources	130,060	130,060	281,973	151,913	151,913
Interdistrict sources	226,652	226,652	224,550	(2,102)	(2,102)
Intermediate sources	90,014	90,014	85,226	(4,788)	(4,788)
State sources	8,377,387	8,377,387	8,393,543	16,156	16,156
Federal sources	2,458,806	2,458,806	2,351,627	(107,179)	(107,179)
Other sources	159,000	159,000	318,525	159,525	159,525
Total revenues	20,890,379	20,890,379	21,104,171	213,792	213,792
EXPENDITURES					
Instruction:					
Undifferentiated instruction	4,236,388	4,236,388	3,836,031	400,357	400,357
Regular instruction	3,553,308	3,553,308	3,397,653	155,655	155,655
Vocational instruction	656,373	656,373	635,388	20,985	20,985
Physical instruction	474,237	474,237	427,845	46,392	46,392
Co-curricular activities	353,923	353,923	338,740	15,183	15,183
Other instruction	114,875	114,875	109,462	5,413	5,413
Total instruction	9,389,104	9,389,104	8,745,119	643,985	643,985
Support services:					
Pupil services	810,915	810,915	679,443	131,472	131,472
Instructional staff services	1,193,568	1,193,568	1,205,076	(11,508)	(11,508)
General administration services	562,046	562,046	557,279	4,767	4,767
Building administration services	1,168,878	1,168,878	1,144,945	23,933	23,933
Business administration services	4,485,862	4,485,862	4,284,429	201,433	201,433
Central services	42,490	42,490	48,070	(5,580)	(5,580)
Insurance	275,300	275,300	255,214	20,086	20,086
Principal and interest	23,040	23,040	23,040		
Other support services	551,748	551,748	626,275	(74,527)	(74,527)
Total support services	9,113,847	9,113,847	8,823,771	290,076	290,076
Non-program transactions:					
Purchased instructional services	1,544,312	1,544,312	1,480,746	63,566	63,566
Other non-program transactions	10,000	10,000		10,000	10,000
Total non-program transactions	1,554,312	1,554,312	1,480,746	73,566	73,566
Total expenditures	20,057,263	20,057,263	19,049,636	1,007,627	1,007,627
Excess (deficiency) of revenues over expenditures	833,116	833,116	2,054,535	1,221,419	1,221,419
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	60,000	60,000	25,473	(34,527)	(34,527)
Transfers to other funds	(2,385,540)	(2,385,540)	(2,382,330)	3,210	3,210
Total other financing sources (uses)	(2,325,540)	(2,325,540)	(2,356,857)	(31,317)	(31,317)
Net change in fund balance	(1,492,424)	(1,492,424)	(302,322)	1,190,102	1,190,102
Fund balance - beginning of year	8,694,500	8,694,500	8,694,500		
Fund balance - end of year	\$ 7,202,076	\$ 7,202,076	\$ 8,392,178	\$ 1,190,102	\$ 1,190,102

Exhibit B-2
Adams-Friendship Area School District
Budgetary Comparison Schedule for the Special Education Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original To Actual	Final To Actual
REVENUES					
Intermediate sources	\$ 7,825	\$ 7,825	\$ 54,380	\$ 46,555	\$ 46,555
State sources	899,699	899,699	1,025,279	125,580	125,580
Federal sources	891,173	891,173	666,567	(224,606)	(224,606)
Total revenues	1,798,697	1,798,697	1,746,226	(52,471)	(52,471)
EXPENDITURES					
Instruction:					
Special instruction	2,983,690	2,983,690	2,892,147	91,543	91,543
Total instruction	2,983,690	\$ 2,983,690	\$ 2,892,147	\$ 91,543	\$ 91,543
Support services:					
Pupil services	481,864	481,864	483,527	(1,663)	(1,663)
Instructional staff services	294,171	294,171	290,545	3,626	3,626
Business administration services	220,679	220,679	214,299	6,380	6,380
Insurance	17,000	17,000	17,000		
Total support services	1,013,714	1,013,714	1,005,371	8,343	8,343
Non-program transactions:					
Purchased instructional services	186,833	186,833	162,955	23,878	23,878
Other non-program transactions			68,083	(68,083)	(68,083)
Total non-program transactions	186,833	186,833	231,038	(44,205)	(44,205)
Total expenditures	4,184,237	4,184,237	4,128,556	55,681	55,681
Excess (deficiency) of revenues over expenditures	(2,385,540)	(2,385,540)	(2,382,330)	3,210	3,210
OTHER FINANCING SOURCES					
Transfer from general fund	2,385,540	2,385,540	2,382,330	(3,210)	(3,210)
Net change in fund balance					
Fund balance - beginning					
Fund balance - ending	\$	\$	\$	\$	\$

Exhibit B-3
 Adams-Friendship Area School District
 Local Retiree Life Insurance Fund Schedules
 June 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Collective net OPEB liability (asset) as a percentage of District's covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2022	0.15863800%	\$ 604,383	\$ 7,690,000	7.86%	38.81%
2021	0.15656500%	925,357	7,719,000	11.99%	29.57%
2020	0.14983700%	824,212	7,505,000	10.98%	31.36%
2019	0.15910400%	677,496	7,313,000	9.26%	37.58%
2018	0.16250600%	419,320	7,839,000	5.35%	48.69%
2017	0.15682200%	471,812	6,594,814	7.15%	44.81%

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Calendar Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2023	\$ 3,332	\$ (3,332)	\$	\$ 7,693,000	0.04%
2022	3,139	(3,139)		7,904,000	0.04%
2021	3,075	(3,075)		7,631,878	0.04%
2020	2,923	(2,923)		7,607,244	0.04%
2019	3,240	(3,240)		7,852,262	0.04%
2018	2,978	(2,978)		6,594,814	0.05%

**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The tables will be built prospectively as the information becomes available.

Exhibit B-4
Adams-Friendship Area School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Single Employer Health Insurance Plan
For the Year Ended June 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability			
Service costs	\$	\$	\$
Interest	4,112	9,853	27,216
Changes in benefit terms			
Differences between expected and actual experience	(14,501)		(1,568)
Changes of assumptions or other inputs	121,595		6,062
Benefit payments	(185,626)	(344,460)	(398,292)
Net change in total OPEB	(74,420)	(334,607)	(366,582)
Total OPEB Liability- Beginning	275,554	610,161	976,743
Total OPEB Liability- Ending	<u>\$ 201,134</u>	<u>\$ 275,554</u>	<u>\$ 610,161</u>
Covered Employee Payroll	<u>\$ 10,032,196</u>	<u>\$</u>	<u>\$</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>2.00%</u>	<u>N/A</u>	<u>N/A</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service costs	\$	\$	\$
Interest	44,206	70,708	86,699
Changes in benefit terms			
Differences between expected and actual experience		(330,743)	
Changes of assumptions or other inputs	3,211	(119,299)	
Benefit payments	(498,985)	(425,160)	(661,989)
Net change in total OPEB	(451,568)	(804,494)	(575,290)
Total OPEB Liability- Beginning	1,428,311	2,232,805	2,808,095
Total OPEB Liability- Ending	<u>\$ 976,743</u>	<u>\$ 1,428,311</u>	<u>\$ 2,232,805</u>
Covered Employee Payroll	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

Exhibit B-5
Adams-Friendship Area School District
Wisconsin Retirement System Schedules
June 30, 2023

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.05832226%	\$ 3,089,741	\$ 10,422,986	29.64%	95.72%
2021	0.05950414%	(4,796,143)	10,130,976	(47.34%)	106.02%
2020	0.06104028%	(3,810,829)	9,813,600	(38.83%)	105.26%
2019	0.06406553%	(2,065,765)	9,792,420	(21.10%)	102.96%
2018	0.06807016%	2,421,722	9,745,902	24.85%	96.45%
2017	0.07089117%	(2,104,842)	10,063,544	(20.92%)	102.93%
2016	0.07270969%	599,301	10,616,660	5.64%	99.12%
2015	0.07404553%	1,203,226	10,181,411	11.48%	98.20%
2014	0.07661779%	(1,881,943)	10,200,500	(18.45%)	102.74%

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2023	\$ 699,223	\$ (699,223)	\$	\$ 10,459,671	6.68%
2022	692,583	(692,583)		10,491,935	6.60%
2021	661,634	(661,634)		9,801,986	6.75%
2020	664,027	(664,027)		9,957,658	6.67%
2019	644,002	(644,002)		9,740,348	6.61%
2018	684,318	(684,318)		10,063,554	6.80%
2017	700,699	(700,699)		10,616,660	6.60%
2016	692,087	(692,087)		10,181,411	6.80%
2015	715,723	(715,723)		10,200,500	7.02%

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

Adams-Friendship Area School District
Notes to the Required Supplementary Information
June 30, 2023

NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the one-digit function level for all funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution.

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 District.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds.

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2023:

<u>Fund/Function</u>	<u>Excess Expenditures</u>
Special education fund:	
Non-program transactions	\$ 44,205

Actual total expenditures were under budget for the general fund and special education fund.

Adams-Friendship Area School District
Notes to the Required Supplementary Information
June 30, 2023

NOTE 3

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

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 21,104,171	\$ 1,746,226
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	1,746,226	(1,746,226)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 22,850,397	\$
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 19,049,636	\$ 4,128,556
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	4,128,556	(4,128,556)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 23,178,192	\$

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

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

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

Changes of assumptions:

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

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

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

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

Adams-Friendship Area School District
Notes to the Required Supplementary Information
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 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:	5.4%	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.

Adams-Friendship Area School District
Notes to the Required Supplementary Information
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%
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.

NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

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

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

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

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

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

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

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

NOTE 6

SINGLE EMPLOYER HEALTH INSURANCE PLAN

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

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

Changes of assumptions. Changes of assumptions or other inputs resulted in an increase in the total OPEB liability. These changes included assumptions based on an experience study conducted in 2021 using WRS experience from 2018-2020. Mortality assumptions were based on a 2020 WRS experience mortality table for active employees with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Change in discount rate. 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%) in compliance with GASB 75. All other assumptions and methods remained unchanged from the actuarial valuation performed as of June 30, 2022.

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

SUPPLEMENTARY INFORMATION

Exhibit C-1
Adams-Friendship Area School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue		Total
	Trust	Community	Nonmajor
	Fund	Service	Governmental
		Fund	Funds
ASSETS			
Cash and investments	\$ 788,091	\$ 77,772	\$ 865,863
LIABILITIES			
Accounts payable	\$ 10,092	\$	\$ 10,092
FUND BALANCES			
Restricted	777,999	77,772	855,771
Total liabilities and fund balances	\$ 788,091	\$ 77,772	\$ 865,863

Exhibit C-2
Adams-Friendship Area School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		Total Nonmajor Governmental Funds
	Trust Fund	Community Service Fund	
REVENUES			
Property taxes	\$	\$ 200,000	\$ 200,000
Other local sources	387,429		387,429
Total revenues	387,429	200,000	587,429
EXPENDITURES			
Instruction:			
Regular instruction	152,464		152,464
Vocational instruction	44,998		44,998
Other instruction	95,462		95,462
Total instruction	292,924		292,924
Support services:			
Business administrative services		970	970
Central services	817		817
Total support services	817	970	1,787
Community services:			
Other community services		179,807	179,807
Non-program transactions:			
Scholarships	79,807		79,807
Total expenditures	373,548	180,777	554,325
Net change in fund balances	13,881	19,223	33,104
Fund balances - beginning of year	764,118	58,549	822,667
Fund balances - end of year	\$ 777,999	\$ 77,772	\$ 855,771