

School District of Kohler

Kohler, Wisconsin

Financial Statements

Year ended June 30, 2023

School District of Kohler
Financial Statements
Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Kohler ("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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, 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.

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin
December 8, 2023

Management's Discussion and Analysis

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

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

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$1,398,873 and totaled \$16,528,925 as of June 30, 2023.
- In the governmental funds, total fund balances decreased \$10,848,596, including an increase in the general fund of \$346,724 and a decrease in the school expansion and renovation fund of \$11,539,603 due to spending down bond proceeds for building and athletic field improvement projects.
- The District retired \$645,000 of general obligation bonds during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures giving statement users a more complex picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Major features of the government-wide and fund financial statements

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

	Government-Wide Financial Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, food service and community services
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Basis of accounting and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Government-Wide Financial Statements

The government-wide financial statements are the *statement of net position* and the *statement of activities*. These statements provide both long-term and short-term information about the District's overall financial status and are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business.

- The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the fiscal year. This statement reports the cost of governmental functions and how those functions were financed for the fiscal year.
- The government-wide financial statements are shown on pages 14 to 15 of this report.

Fund Financial Statements

- The District also produces *fund financial statements*. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances*. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balances.
- Because the focus of fund financial statements is narrower than that of the government-wide financial statements it is useful to make comparisons between the information presented. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided as a separate statement.
- *Governmental funds* include the District's five permanent funds (general, special revenue trust, debt service, food service and community service) and individual capital project funds as needed. In the current fiscal year, the District has two capital project funds.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* for the general fund, special revenue trust fund, debt service fund and school expansion and renovation fund as these funds are considered to be major funds. Data for the long-term capital improvement trust, food service and community service funds are combined into a single aggregated column. Data for each of these individual nonmajor funds is provided separately as other supplementary information.
- The governmental fund financial statements are shown on pages 16 and 18 of this report.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

FINANCIAL ANALYSIS

The District as a Whole

Net position - Table 1, below, provides a summary of the District's net position for the year ended June 30, 2023 compared to 2022.

Table 1
Condensed Statement of Net Position
June 30, 2023 and 2022

	Governmental Activities		Increase (Decrease)
	2023	2022	2023-2022
Assets			
Current assets	\$ 17,242,077	\$ 26,285,275	\$ (9,043,198)
Non-current assets			
Capital assets - net	21,411,013	9,552,461	11,858,552
Other assets	-	2,034,159	(2,034,159)
Total assets	\$ 38,653,090	\$ 37,871,895	\$ 781,195
Deferred outflows of resources	\$ 4,926,525	\$ 3,944,816	\$ 981,709
Liabilities			
Long-term liabilities	\$ 21,574,032	\$ 21,084,366	\$ 489,666
Other liabilities	2,548,998	753,784	1,795,214
Total liabilities	\$ 24,123,030	\$ 21,838,150	\$ 2,284,880
Deferred inflows of resources	\$ 2,927,660	\$ 4,848,509	\$ (1,920,849)
Net position			
Net investment in capital assets	\$ 8,555,988	\$ 7,473,183	\$ 1,082,805
Restricted	2,367,948	4,038,808	(1,670,860)
Unrestricted	5,604,989	3,618,061	1,986,928
Total net position	\$ 16,528,925	\$ 15,130,052	\$ 1,398,873

- Current assets decreased \$9,043,198 due to spending down bond proceeds. Current assets consist mainly of cash and investments, taxes receivable and amounts due from other governments.
- Net capital assets increased \$11,858,552 due to capital asset additions in excess of current year depreciation expense.
- The deferred outflows and inflows of resources are related to the District's pension and OPEB plans.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Change in net position - Table 2 shows the change in net position for the years ended June 30, 2023 and 2022.

Table 2
Change in Net Position
Years ended June 30, 2023 and 2022

	Governmental Activities		Increase (Decrease)
	2023	2022	2023-2022
Revenues			
Program revenues			
Charges for services	\$ 3,032,917	\$ 2,909,945	\$ 122,972
Operating grants and contributions	1,052,863	919,602	133,261
Capital grants and contributions	159,079	6,492	152,587
General revenues			
Property taxes	6,135,729	6,178,412	(42,683)
General federal and state aids	844,963	814,066	30,897
Other	654,295	(45,709)	700,004
Total revenues	<u>\$ 11,879,846</u>	<u>\$ 10,782,808</u>	<u>\$ 1,097,038</u>
Expenses			
Instruction	\$ 5,678,570	\$ 5,148,679	\$ 529,891
Pupil and instructional staff services	837,069	690,558	146,511
Administration and business services	1,263,463	917,817	345,646
Operations, maintenance and remodeling	689,980	768,959	(78,979)
Pupil transportation	147,851	107,306	40,545
Food service	280,819	252,081	28,738
Community service	462,337	242,322	220,015
Interest and related expense on debt	428,455	895,544	(467,089)
Other	692,429	864,624	(172,195)
Total expenses	<u>\$ 10,480,973</u>	<u>\$ 9,887,890</u>	<u>\$ 593,083</u>
Change in net position	\$ 1,398,873	\$ 894,918	\$ 503,955
Net position - Beginning of year	<u>15,130,052</u>	<u>14,235,134</u>	<u>894,918</u>
Net position - End of year	<u>\$ 16,528,925</u>	<u>\$ 15,130,052</u>	<u>\$ 1,398,873</u>

- Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions, totaled \$4,244,859. In total, program revenues increased \$408,820 compared to 2022.
- General revenues, including property taxes and general federal and state aids, totaled \$7,634,987. General revenues account for approximately 64% of all revenues.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Net cost of governmental activities - Table 3 reports the cost of nine major District activities for the years ended June 30, 2023 and 2022. The table also shows each activity's net cost (total cost less fees generated by the activities, intergovernmental aid provided for specific programs and other grants and contributions). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

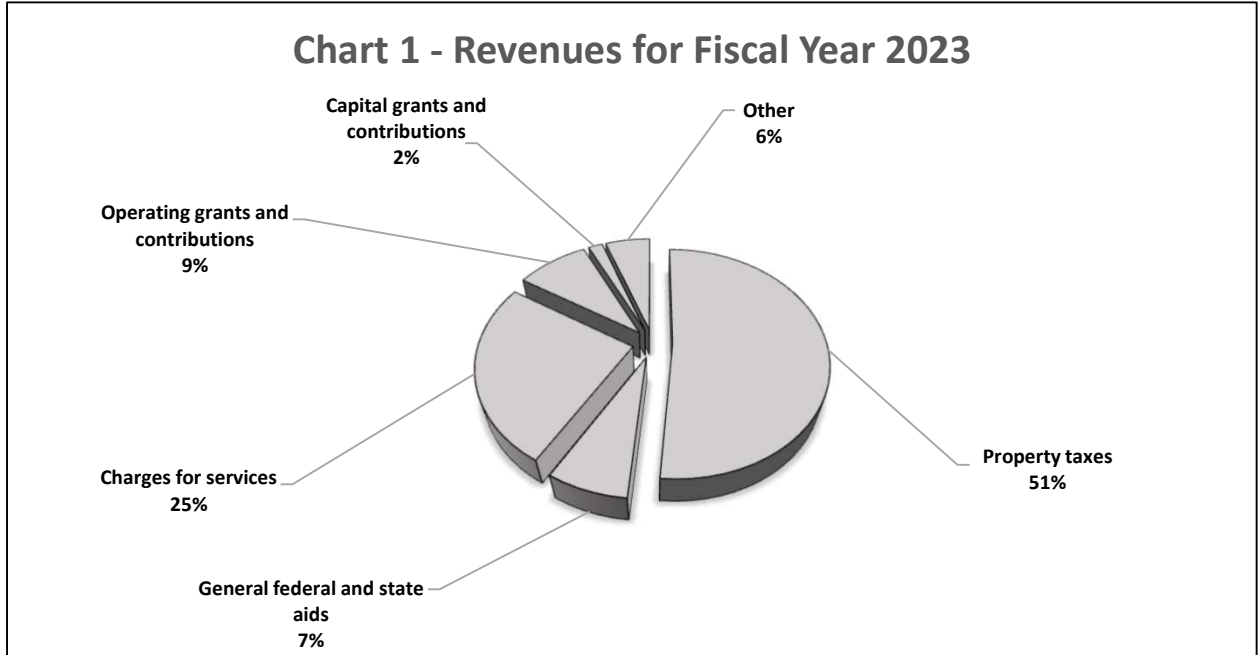
Table 3
Net Cost of Governmental Activities
Years ended June 30, 2023 and 2022

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	\$ 5,678,570	\$ 5,148,679	\$ 2,623,950	\$ 2,237,174
Pupil and instructional staff services	837,069	690,558	431,887	315,669
Administration and business services	1,263,463	917,817	1,224,836	845,587
Operations, maintenance and remodeling	689,980	768,959	460,721	723,794
Pupil transportation	147,851	107,306	132,187	96,650
Food service	280,819	252,081	12,608	3,926
Community service	462,337	242,322	230,241	73,522
Interest and related expense on debt	428,455	895,544	428,455	895,544
Other	692,429	864,624	691,229	859,985
Totals	<u>\$ 10,480,973</u>	<u>\$ 9,887,890</u>	<u>\$ 6,236,114</u>	<u>\$ 6,051,851</u>

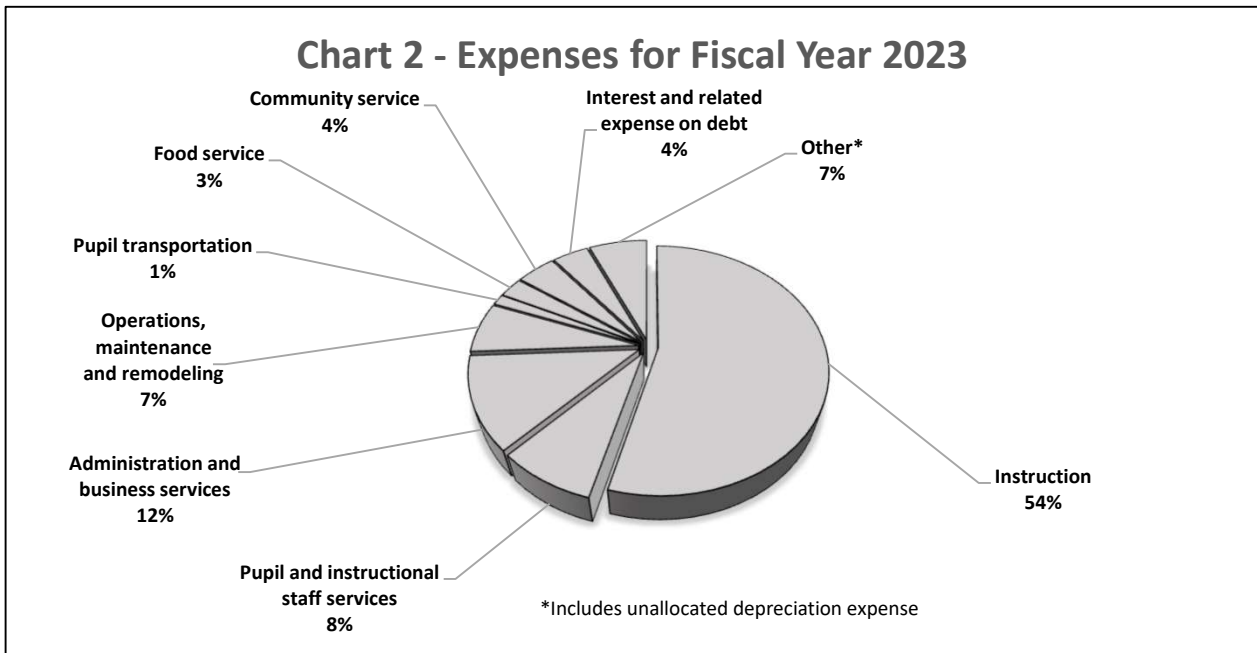
- The total cost of all governmental activities for the year was \$10,480,973, an increase of \$593,083 from the prior year.
- Individuals, other governments and others who directly participated in or benefited from a program paid \$3,032,917 of the costs.
- Governmental and other operating grants and contributions accounted for \$1,052,863 of the costs.
- Governmental and other capital grants and contributions accounted for \$159,079 of the costs.
- Net cost of governmental activities were financed with general revenues, which consist of property taxes, equalization aid, special adjustment aid, per pupil aids, state tax exempt aids, investment income and miscellaneous items.
- The "other" category includes central services, insurance and judgements, other support services and unallocated depreciation expense.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

- Property taxes account for the greatest portion of revenues for the District as illustrated in Chart 1.



- Expenses by major function are illustrated in Chart 2.



School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Financial Aspects of the District's Funds

The District completed the year with a total governmental fund balance of \$14,868,358, which was \$10,848,596 less than last year's ending fund balance of \$25,716,954.

- The general fund had an increase in fund balance of \$346,724 compared to a budgeted deficit of \$100,000.
- The special revenue trust fund had an increase in fund balance of \$358,284.
- The debt service fund had an increase in fund balance of \$108,644. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20 of the subsequent year.
- The school expansion and renovation fund had a decrease in fund balance of \$11,539,603. This decrease is due to spending down bond proceeds for the building and athletic field improvement projects.
- The community service fund had a decrease in fund balance of \$122,646.
- The long-term capital improvement trust fund and food service fund balances did not change significantly during the year.

Budgetary Highlights

Consistent with current state statutes and regulations an original budget is adopted in October following determination of official enrollment and certification of state aids. Generally, the original budget is not significantly modified during the year. Budgetary comparison schedules for the general fund and special education fund are shown on pages 50-51 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had invested over \$31.4 million in a broad range of capital assets, including outdoor improvements, buildings and building improvements, furniture and equipment, vehicles and construction in progress. (See Table 4) Additional information about capital assets can be found in Note 4. Accumulated depreciation on these assets totaled \$10,010,787.

- Asset acquisitions totaled \$12,324,638 during the year, including construction in progress on the building and athletic field improvement projects.
- For the year ended June 30, 2023 the District recognized depreciation expense of \$466,086.

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

Capital Assets - Continued

Table 4
Capital Assets
June 30, 2023 and 2022

	Governmental Activities		Increase (Decrease)
	2023	2022	2023-2022
Outdoor improvements	\$ 2,684,268	\$ 2,684,268	\$ -
Buildings and building improvements	14,027,364	14,003,604	23,760
Furniture and equipment	1,000,977	979,892	21,085
Vehicles	8,816	8,816	-
Construction in progress	13,700,375	1,420,582	12,279,793
	\$ 31,421,800	\$ 19,097,162	\$ 12,324,638
Accumulated depreciation	(10,010,787)	(9,544,701)	(466,086)
Totals	<u>\$ 21,411,013</u>	<u>\$ 9,552,461</u>	<u>\$ 11,858,552</u>

Long-Term Debt

At year end, the District had \$19,120,000 in general obligation bonds - a decrease of \$645,000 from the prior year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Table 5
Outstanding Long-Term Debt
June 30, 2023 and 2022

	Total School District		Increase (Decrease)
	2023	2022	2023-2022
Bonds	<u>\$ 19,120,000</u>	<u>\$ 19,765,000</u>	<u>\$ (645,000)</u>

School District of Kohler
Management's Discussion and Analysis
Year ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Unpredictable and dynamic funding levels, combined with continued inflationary cost pressures create ongoing challenges for short and long term fiscal planning. The District is operating within the 2023-2025 biennium State budget which provided welcome increases to revenue limits in each of the two years. Continued increases to revenue limits in future State budgets will be critical for public education to deal with ongoing inflationary pressures and to ensure appropriate levels of investment in staff, students and facilities.
- While the immediate health impacts of COVID 19 and their related disruptions to in-person instruction have been alleviated, public education is still dealing with the lasting impacts. As part of the Federal and State response to COVID-19 and its impacts on public education, the District received allocations of funds under the Elementary and Secondary School Emergency Relief fund (ESSER) totaling \$965,000. The District will remain engaged in maximizing these resources in targeted areas, with all funds required to be spent by September 2024.
- New residential housing development in the Village of Kohler has begun and is expected to add incremental resident students beginning in the 2023-2024 school year. Phase 1 consists of 77 lots and Phases 2-4 has an additional 160 lots. This development is anticipated to reverse the resident enrollment trend in which the District has experienced declines in five of the last seven years. While the District has collected additional revenue from the open enrollment (OE) program, of greatest importance is the District's desire to maintain its quality of educational programming while operating under the State imposed revenue cap and supplemented by revenue through the State's OE program.
- School District voters approved a \$20.14 million referendum in April 2021. This project will modernize the District's buildings and grounds, address space limitations in the Technical Education area, and provide facilities that support student achievement and contribute to career readiness. Project construction will be completed by the end of 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent or Business Manager, at the School District of Kohler, 333 Upper Road, Kohler, WI 53044.

Basic Financial Statements

School District of Kohler
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	\$ 14,587,844
Taxes receivable	1,605,758
Accounts receivable	113,355
Due from other governments	929,219
Prepaid expenses	5,901
Capital assets	
Construction in progress	13,700,375
Other capital assets (net of accumulated depreciation)	<u>7,710,638</u>
Total assets	<u>\$ 38,653,090</u>
Deferred outflows of resources	
Deferred outflows related to pension	\$ 4,795,850
Deferred outflows related to OPEB	<u>130,675</u>
Total deferred outflows of resources	<u>\$ 4,926,525</u>
Liabilities	
Accounts payable	\$ 29,912
Construction contracts payable	2,266,882
Accrued salaries and related items	63,580
Accrued interest payable	175,279
Due to other governments	980
Unearned revenues	12,365
Current portion of long-term debt	765,000
Long-term liabilities	
Long-term debt, net of current portion	18,355,000
Unamortized debt issuance premium	926,464
Net pension liability	1,319,639
Net OPEB liability	<u>207,929</u>
Total liabilities	<u>\$ 24,123,030</u>
Deferred inflows of resources	
Deferred inflows related to pension	\$ 2,766,865
Deferred inflows related to OPEB	<u>160,795</u>
Total deferred inflows of resources	<u>\$ 2,927,660</u>
Net position	
Net investment in capital assets	\$ 8,555,988
Restricted for	
Common school fund	16,070
Get kids ahead	28,889
Curriculum expansion	943,116
Other educational expenses	575,812
Scholarships - nonexpendable	70,297
Scholarships - expendable	9,725
Student activities	167,668
Debt service	249,179
Capital improvements	1,005
Community service	306,187
Unrestricted	<u>5,604,989</u>
Total net position	<u><u>\$ 16,528,925</u></u>

See accompanying notes to the basic financial statements.

School District of Kohler
Statement of Activities
Year ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
Instruction					
Regular instruction	\$ 4,210,408	\$ 1,759,580	\$ 456,631	\$ -	\$ (1,994,197)
Vocational instruction	138,937	57,314	21,945	9,437	(50,241)
Special instruction	530,119	39,310	231,554	-	(259,255)
Other instruction	799,106	478,849	-	-	(320,257)
Total instruction	<u>\$ 5,678,570</u>	<u>\$ 2,335,053</u>	<u>\$ 710,130</u>	<u>\$ 9,437</u>	<u>\$ (2,623,950)</u>
Support services					
Pupil services	\$ 527,613	\$ 186,963	\$ 133,781	\$ -	\$ (206,869)
Instructional staff services	309,456	-	84,438	-	(225,018)
General administration services	675,059	-	34,261	-	(640,798)
Building administration services	384,644	-	4,366	-	(380,278)
Business services	203,760	-	-	-	(203,760)
Operations, maintenance and remodeling	689,980	10,594	69,023	149,642	(460,721)
Pupil transportation	147,851	-	15,664	-	(132,187)
Food service	280,819	268,211	-	-	(12,608)
Central services	162,985	-	-	-	(162,985)
Insurance and judgements	47,953	-	-	-	(47,953)
Community service	462,337	232,096	-	-	(230,241)
Interest and related expense on debt	428,455	-	-	-	(428,455)
Other support services	183,687	-	1,200	-	(182,487)
Depreciation - unallocated*	297,804	-	-	-	(297,804)
Total support services	<u>\$ 4,802,403</u>	<u>\$ 697,864</u>	<u>\$ 342,733</u>	<u>\$ 149,642</u>	<u>\$ (3,612,164)</u>
Total governmental activities	<u>\$ 10,480,973</u>	<u>\$ 3,032,917</u>	<u>\$ 1,052,863</u>	<u>\$ 159,079</u>	<u>\$ (6,236,114)</u>
General revenues					
Taxes					
Property taxes - levied for general purposes					\$ 4,743,191
Property taxes - levied for debt service					1,309,863
Property taxes - levied for community service					82,675
Federal and state aid not restricted to specific purposes					
General					99,643
Other					745,320
Investment earnings					646,184
Miscellaneous					8,111
Total general revenues					<u>\$ 7,634,987</u>
Change in net position					\$ 1,398,873
Net position - Beginning of year					15,130,052
Net position - End of year					\$ 16,528,925

*This amount excludes the depreciation that is included in the direct expenses of the various functions.

See accompanying notes to the basic financial statements.

School District of Kohler
Balance Sheet
Governmental Funds
June 30, 2023

	General	Special Revenue Trust	Debt Service	School Expansion and Renovation	Nonmajor Governmental	Total
Assets						
Cash and investments	\$ 2,987,169	\$ 1,684,663	\$ 424,458	\$ 9,184,156	\$ 307,398	\$ 14,587,844
Taxes receivable	1,605,758	-	-	-	-	1,605,758
Accounts receivable	1,664	83,325	-	-	28,366	113,355
Due from other governments	804,696	-	-	124,523	-	929,219
Prepaid expenses	5,901	-	-	-	-	5,901
Total assets	\$ 5,405,188	\$ 1,767,988	\$ 424,458	\$ 9,308,679	\$ 335,764	\$ 17,242,077
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 13,160	\$ 1,370	\$ -	\$ -	\$ 15,382	\$ 29,912
Construction contracts payable	149,642	-	-	2,117,240	-	2,266,882
Accrued salaries and related items	62,755	-	-	-	825	63,580
Due to other governments	980	-	-	-	-	980
Unearned revenues	-	-	-	-	12,365	12,365
Total liabilities	\$ 226,537	\$ 1,370	\$ -	\$ 2,117,240	\$ 28,572	\$ 2,373,719
Fund balances						
Nonspendable	\$ 5,901	\$ 70,297	\$ -	\$ -	\$ -	\$ 76,198
Restricted	44,959	1,696,321	424,458	7,191,439	307,192	9,664,369
Committed	3,859,198	-	-	-	-	3,859,198
Unassigned	1,268,593	-	-	-	-	1,268,593
Total fund balances	\$ 5,178,651	\$ 1,766,618	\$ 424,458	\$ 7,191,439	\$ 307,192	\$ 14,868,358
Total liabilities and fund balances	\$ 5,405,188	\$ 1,767,988	\$ 424,458	\$ 9,308,679	\$ 335,764	\$ 17,242,077

See accompanying notes to the basic financial statements.

School District of Kohler
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total fund balances - governmental funds \$ 14,868,358

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 in the fund statements. Amounts reported for governmental activities in the statement of net position include:

Governmental capital assets	\$ 31,421,800	
Governmental accumulated depreciation	<u>(10,010,787)</u>	21,411,013

Deferred outflows of resources related to pensions and other post-employment benefits are applicable to future periods and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:

Deferred outflows of resources	4,926,525
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Deferred inflows of resources related to pensions and other post-employment benefits are applicable to future periods and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:

Deferred inflows of resources	(2,927,660)
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Governmental funds report premiums associated with the issuance of long-term debt as other financing sources, but these items are amortized over the life of the debt issuance on the statement of activities. Amounts reported for governmental activities in the statement of net position include:

Unamortized debt issuance premium	(926,464)
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Some liabilities, including long-term debt, are not due in the current period and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position include:

General obligation debt	\$ 19,120,000	
Accrued interest on long-term debt	175,279	
Net pension liability	1,319,639	
Net OPEB liability	<u>207,929</u>	<u>(20,822,847)</u>

Total net position - governmental activities	<u>\$ 16,528,925</u>
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School District of Kohler
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2023

	General	Special Revenue Trust	Debt Service	School Expansion and Renovation	Nonmajor Governmental	Total
Revenues						
Property taxes	\$ 4,743,191		\$ 1,309,863	\$ -	\$ 82,675	\$ 6,135,729
Other local sources	253,567	696,297	168	438,019	515,790	1,903,841
Interdistrict sources	2,224,128	-	-	-	-	2,224,128
Intermediate sources	5,728	-	-	-	-	5,728
State sources	1,002,902	-	-	-	-	1,002,902
Federal sources	546,709	-	-	-	-	546,709
Other sources	8,111	52,698	-	-	-	60,809
Total revenues	\$ 8,784,336	\$ 748,995	\$ 1,310,031	\$ 438,019	\$ 598,465	\$ 11,879,846
Expenditures						
Instruction						
Regular instruction	\$ 3,847,063	\$ 156,687	\$ -	\$ -	\$ -	\$ 4,003,750
Vocational instruction	119,031	12,440	-	-	-	131,471
Special instruction	502,948	-	-	-	-	502,948
Other instruction	520,628	138,537	-	-	-	659,165
Total instruction	\$ 4,989,670	\$ 307,664	\$ -	\$ -	\$ -	\$ 5,297,334
Support services						
Pupil services	\$ 494,859	\$ 5,684	\$ -	\$ -	\$ -	\$ 500,543
Instructional staff services	294,544	-	-	-	-	294,544
General administration services	635,046	8,128	-	-	-	643,174
Building administration services	350,937	3,851	-	-	-	354,788
Business services	190,579	2,054	-	-	-	192,633
Operations, maintenance and remodeling	955,912	46,186	-	11,977,622	-	12,979,720
Pupil transportation	134,157	13,694	-	-	-	147,851
Food service	-	-	-	-	279,422	279,422
Central services	145,171	-	-	-	-	145,171
Insurance and judgements	47,953	-	-	-	-	47,953
Community service	-	-	-	-	452,899	452,899
Principal, interest and related expense	1,108	-	1,201,387	-	-	1,202,495
Other support services	186,465	3,450	-	-	-	189,915
Total support services	\$ 3,436,731	\$ 83,047	\$ 1,201,387	\$ 11,977,622	\$ 732,321	\$ 17,431,108
Total expenditures	\$ 8,426,401	\$ 390,711	\$ 1,201,387	\$ 11,977,622	\$ 732,321	\$ 22,728,442
Excess (deficiency) of revenues over expenditures	\$ 357,935	\$ 358,284	\$ 108,644	\$ (11,539,603)	\$ (133,856)	\$ (10,848,596)
Other financing sources (uses)						
Transfer to food service fund	(11,211)	-	-	-	11,211	-
Net change in fund balances	\$ 346,724	\$ 358,284	\$ 108,644	\$ (11,539,603)	\$ (122,645)	\$ (10,848,596)
Fund balances - Beginning of year	4,831,927	1,408,334	315,814	18,731,042	429,837	25,716,954
Fund balances - End of year	\$ 5,178,651	\$ 1,766,618	\$ 424,458	\$ 7,191,439	\$ 307,192	\$ 14,868,358

See accompanying notes to the basic financial statements.

School District of Kohler
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities
Year ended June 30, 2023

Net change in fund balances - total governmental funds \$ (10,848,596)

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

Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 12,324,638	
Depreciation expense	<u>(466,086)</u>	11,858,552

In governmental funds, pension contributions are reported as an expenditure when paid or payable. However, in the statement of activities, pension expense is adjusted for the net change in pension related deferred outflows, deferred inflows and the net pension liability during the year. In the current period, these amounts are:

Change in pension related items	(362,025)
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In governmental funds, OPEB contributions are reported as an expenditure when paid or payable. However, in the statement of activities, OPEB expense is adjusted for the net change in OPEB related deferred outflows, deferred inflows and the net OPEB liability during the year. In the current period, these amounts are:

Change in OPEB related items	(23,098)
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Repayment of principal on long-term debt is reported as an expenditure in the governmental funds, but is reported as a reduction in long-term liabilities in the statement of net position. In the current period, these amounts are:

Principal paid on general obligation debt	645,000
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In governmental funds premium associated with the issuance of long-term debt is reported as other financing sources and uses when the debt is issued, but this item is deferred and amortized over the life of the debt issue and included in interest expense in the statement of activities. In the current period, these amounts are:

Amortization of debt issuance premium	118,856
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In governmental funds, interest payments on long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred. In the current period, these amounts are:

Interest paid	\$ 556,387	
Interest accrued	<u>(546,203)</u>	<u>10,184</u>

Change in net position - governmental activities	<u>\$ 1,398,873</u>
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See accompanying notes to the basic financial statements.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Introduction

The School District of Kohler (the "District") is organized as a common school district governed by a five member elected school board. The District operates grades pre-kindergarten through grade 12 and is comprised of all or parts of four taxing districts. As required by accounting principles generally accepted in the United States of America, these financial statements present the District as the primary government.

The financial statements of the School District of Kohler 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.

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The School District of Kohler is not a component unit of another reporting entity nor does it have any component units.

C. Basis of Presentation

Government-Wide Financial 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. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, intergovernmental revenues and other nonexchange transactions. The District has no business-type or fiduciary activities.

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.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

C. Basis of Presentation - Continued

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

General Fund - This fund is the District's primary operating fund. It is used to account for all financial activity of the District that is not required to be accounted for in another fund. It is also used to account for the financial activity associated with providing educational programs for students with disabilities.

Special Revenue Trust Fund - This fund is used to account for the proceeds of non-trust revenues of which the expenditures are limited to specific purposes related to District operations. The most common source of funds include gifts and donations.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental activities. The debt service fund includes only referendum debt.

School Expansion and Renovation Fund - This fund accounts for activities associated with the design, construction and related costs of the District's building and athletic field improvement projects.

The District also reports the following nonmajor governmental funds:

Long-Term Capital Improvement Trust Fund - This fund accounts for the resources accumulated for the District's long-term capital improvement plan. The trust was established with a transfer from the general fund, after the approval of a 10 year capital improvement plan. The District is prohibited from removing money deposited in the fund for a period of 5 years after the fund is created. After the initial 5 year wait period is over, funds may only be used for the purposes identified in the approved long-term capital improvement plan.

Food Service Fund - This fund is used to account for all revenues and expenditures related to the District's food service program.

Community Service Fund - This fund is used to account for activities which are not elementary and secondary educational programs, but have the primary function of serving the community, including the day care/after school care program and recreational activities.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under 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. Nonexchange 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. State general and categorical aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs, followed by general revenues.

E. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate accounts.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. For investments subject to market fluctuation, fair values are based on methods and inputs as outlined in Note 3. Adjustments necessary to record investments at fair value are recorded in the financial statements as increases or decreases in investment income. Fair values may have changed significantly after year end.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

E. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Cash and Investments - Continued

Wisconsin state statutes permit the District to invest available cash balances in the following:

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

In addition, the special revenue trust fund invests in mutual funds and exchange traded products as required by the donor.

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town and village treasurers or clerks who then make proportional settlement with the School District and County Treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the County Treasurer who then makes settlement with the city, town, village and school districts before retaining any taxes for County purposes.

The District's property taxes are levied on or before October 31st on the equalized property valuation certified by the Wisconsin Department of Revenue. 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 a final payment no later than the following July 31st. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15th and by the 20th of each subsequent month thereafter. 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.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

E. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Property Tax Levy - Continued

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2022 tax levy is used to finance operations of the District's fiscal year ended June 30, 2023. 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.

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 it is believed that such allowance would not be material.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. In the fund financial statements, a portion of fund balance is categorized as nonspendable to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at actual cost or estimated historical costs, if actual costs are not available. Donated capital assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Outdoor improvements	\$ 5,000	Straight-line	10-30 Years
Buildings and building improvements	5,000	Straight-line	15-50 Years
Furniture and equipment	5,000	Straight-line	5-20 Years
Vehicles	5,000	Straight-line	8 Years

In the fund financial statements, capital assets used in governmental fund operations are reported as an expenditure of the governmental fund upon acquisition.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

E. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources - Continued

Interfund Balances and Activity

During 2022-2023, the general fund transferred \$11,211 to the food service fund to cover the fund balance deficit.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and or fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and or fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that future time.

In the statement of net position, the District reports its proportionate share of pension related items from its participation in the Wisconsin Retirement System and its proportionate share of OPEB related items from its participation in the Local Retiree Life Insurance Fund as deferred outflows of resources and deferred inflows of resources. See Notes 7 and 8 for further details.

F. Pensions - Wisconsin Retirement System

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 to Pensions
- Pension Expense (Revenue)

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

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

G. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund

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

- Net OPEB Liability
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits
- 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 the 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.

H. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in the following three categories:

Net investment in capital assets - Consists of the historical cost of capital assets, net of accumulated depreciation, less any debt that remains outstanding that was used to finance those assets.

Restricted net position - Consists of net position with constraints placed on their use through external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position - All other net position is reported in this category.

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

I. Fund Balances

In the governmental fund financial statements, fund balances are displayed in the following five categories:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form (such as prepaid expenses) or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

I. Fund Balances - Continued

Committed - Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Education. The Board of Education is the highest level of decision making authority for the District. The formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period.

Assigned - Amounts the Board intends to use for specific purposes but are neither restricted nor committed, intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

Unassigned - The residual classification of the District's general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Also when an expenditure is incurred for which committed, assigned or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, unless the School Board has provided otherwise in their commitment or assignment actions.

In the general fund it is the policy of the District to maintain a minimum unassigned fund balance that will maintain working capital to meet the cash flow needs of the District thus reducing the need for short-term borrowing, serve as a safeguard for unanticipated expenditures and show fiscal responsibility.

J. Employee Benefits

Vacation - District employees are granted vacation in varying amounts, based on length of service and other factors. Earned vacation is generally forfeited if not taken by year-end.

Sick Leave - District employees may accumulate up to 120 days of sick pay, however, the District's policy does not allow accumulated sick pay to vest. Unused accumulated sick pay is forfeited upon retirement or termination of employment. Accumulated benefits are recorded as an expenditure in the year used. No liability is recorded in the government-wide financial statements.

Pension Plan - District employees participate in the Wisconsin Retirement System, a cost-sharing multiple-employer defined benefit pension plan. See Note 7 for more details.

Other Post-Employment Benefits - District employees may participate in the Local Retiree Life Insurance Fund, a multiple-employer defined benefit other post-employment benefit plan. See Note 8 for more details.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 1. Summary of Significant Accounting Policies - Continued

K. Budgetary Accounting

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.

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

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

GASB Statement No. 34 requires that both the originally adopted budget and final budget, as amended by School Board resolution, be presented for the general fund and any major special revenue funds that have adopted a budget. The School Board did not amend the budget during the year and accordingly, only one budget amount is presented.

L. New Accounting Standard

For fiscal year ending June 30, 2023, the provisions of GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITA)*, requires the District to record subscription-based information technology arrangements as right-to-use assets and liabilities. The District has determined the effect of presenting subscription-based assets and liabilities is not material to the District's financial statements and therefore no amounts are presented in these financial statements for items related to the District's subscription-based information technology arrangements.

M. Use of Estimates

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

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 2. Explanation of Differences Between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and government-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 in the columns on the following page represent:

a. Long-Term Revenues/Expenses

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 on the following page recognize the change in pension and other post-employment benefits.

b. Capital Related Items

Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale or disposal 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 Transactions

Long-term debt transaction differences occur because long-term debt proceeds are recorded as other financing sources and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred and principal payments are recorded as a reduction of liabilities.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 2. Explanation of Differences Between Governmental Fund Statements and Government-Wide Statements - Continued

	Total Governmental Funds	(a) Long-term Revenues / Expenses	(b) Capital Related Items	(c) Long-term Debt Transactions	Statement of Activities Total
<u>Revenues and other sources</u>					
Taxes					
Property taxes	\$ 6,135,729	\$ -	\$ -	\$ -	\$ 6,135,729
Other local sources					
Charges for services	808,789	-	-	-	808,789
Operating grants and contributions	492,129	-	-	-	492,129
Capital grants and contributions	9,437	-	-	-	9,437
Investment income	593,486	-	-	-	593,486
Interdistrict sources					
Charges for services	2,224,128	-	-	-	2,224,128
Intermediate sources					
Operating grants and contributions	5,728	-	-	-	5,728
State sources					
General state aids	785,352	-	-	-	785,352
Operating grants and contributions	217,550	-	-	-	217,550
Federal sources					
General federal aids	59,611	-	-	-	59,611
Operating grants and contributions	337,456	-	-	-	337,456
Capital grants and contributions	149,642	-	-	-	149,642
Other sources					
Unrealized gain	52,698	-	-	-	52,698
Miscellaneous	8,111	-	-	-	8,111
Total revenues and other sources	<u>\$ 11,879,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,879,846</u>
<u>Expenditures / expenses</u>					
Regular instruction	\$ 4,003,750	\$ 200,682	\$ 5,976	\$ -	\$ 4,210,408
Vocational instruction	131,471	6,544	922	-	138,937
Special instruction	502,948	27,171	-	-	530,119
Other instruction	659,165	18,905	121,036	-	799,106
Pupil services	500,543	27,070	-	-	527,613
Instructional staff services	294,544	14,229	683	-	309,456
General administration services	643,174	31,885	-	-	675,059
Building administration services	354,788	21,443	8,413	-	384,644
Business services	192,633	11,127	-	-	203,760
Operations, maint. and remodeling	12,979,720	5,877	(12,295,617)	-	689,980
Pupil transportation	147,851	-	-	-	147,851
Food service	279,422	-	1,397	-	280,819
Central services	145,171	14,119	3,695	-	162,985
Insurance and judgements	47,953	-	-	-	47,953
Community service	452,899	6,071	3,367	-	462,337
Principal, interest and related expense	1,202,495	-	-	(774,040)	428,455
Other support services	189,915	-	(6,228)	-	183,687
Depreciation - unallocated	-	-	297,804	-	297,804
Total expenditures / expenses	<u>\$ 22,728,442</u>	<u>\$ 385,123</u>	<u>\$ (11,858,552)</u>	<u>\$ (774,040)</u>	<u>\$ 10,480,973</u>
Net change for year	<u>\$ (10,848,596)</u>	<u>\$ (385,123)</u>	<u>\$ 11,858,552</u>	<u>\$ 774,040</u>	<u>\$ 1,398,873</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 3. Cash and Investments

The debt service fund, school expansion and renovation fund and long-term capital improvement trust fund account for their transactions through separate and distinct bank and investment accounts. In addition, certain special revenue trust funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

The District's cash and investments at June 30, 2023 are summarized as follows:

	<u>Carrying Value</u>
Checking and money market	\$ 9,663,721
Local government investment pool	3,987,659
Mutual funds - stock funds	537,532
Exchange traded products - equity	173,274
Exchange traded products - fixed income	224,047
Petty cash	<u>1,611</u>
Total cash and investments	<u>\$ 14,587,844</u>

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and non-interest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Cash and securities in accounts with brokers are protected in accordance with the Securities Investor Protection Corporation (SIPC) up to \$500,000, with cash claims limited to \$100,000.

In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per public depository above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the fund's coverage, total recovery of insured losses may not be available.

The Wisconsin Local Government Investment Pool (LGIP) does not have a credit quality rating. It is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. 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 were substantially equal to the amount as reported above. A separate financial report for the SIF can be obtained at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 3. Cash and Investments - Continued

Fair Value Measurement

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2023, the District's investments were classified within the fair value hierarchy as follows:

<u>Investment Type</u>	<u>Fair Value</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds - stock funds	\$ 537,532	\$ -	\$ -	\$ 537,532
Exchange traded products - equity	173,274	-	-	173,274
Exchange traded products - fixed income	<u>224,047</u>	<u>-</u>	<u>-</u>	<u>224,047</u>
Totals	<u>\$ 934,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,853</u>

During the school year the District recognized \$52,698 in unrealized gains on investments.

The District's investment in the local government investment pool is not subject to the fair value hierarchy disclosures.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District's deposits were fully insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District limits the maturity of any investment to no more than seven years from the date of purchase or in accordance with State statutes.

Credit Risk

Credit risk is the risk that an issuer of a type of investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The District does not have a formal policy regarding credit risk.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 4. Capital Assets

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

	Balances July 1, 2022	Additions	Deletions	Balances June 30, 2023
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 1,420,582	\$ 12,279,793	\$ -	\$ 13,700,375
Capital assets being depreciated				
Outdoor improvements	\$ 2,684,268	\$ -	\$ -	\$ 2,684,268
Buildings and building improvements	14,003,604	23,760	-	14,027,364
Furniture and equipment	979,892	21,085	-	1,000,977
Vehicles	8,816	-	-	8,816
Total capital assets being depreciated	\$ 17,676,580	\$ 44,845	\$ -	\$ 17,721,425
Total capital assets	\$ 19,097,162	\$ 12,324,638	\$ -	\$ 31,421,800
Less accumulated depreciation for				
Outdoor improvements	\$ (1,382,455)	\$ (137,532)	\$ -	\$ (1,519,987)
Buildings and building improvements	(7,505,172)	(287,124)	-	(7,792,296)
Furniture and equipment	(652,941)	(40,328)	-	(693,269)
Vehicles	(4,133)	(1,102)	-	(5,235)
Total accumulated depreciation	\$ (9,544,701)	\$ (466,086)	\$ -	\$ (10,010,787)
Governmental activities capital assets, net of accumulated depreciation	\$ 9,552,461	\$ 11,858,552	\$ -	\$ 21,411,013

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 11,396
Vocational instruction	10,359
Other instruction	121,036
Instructional staff services	683
Building administration services	8,413
Operations, maintenance and remodeling	7,936
Food service	1,397
Central services	3,695
Community service	3,367
Depreciation - unallocated	297,804
Total depreciation expense for governmental activities	\$ 466,086

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 5. Long-Term Liabilities

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

<u>Type</u>	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2023</u>	<u>Amounts Due In One Year</u>
General obligation debt					
Bonds*	<u>\$ 19,765,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$ 19,120,000</u>	<u>\$ 765,000</u>

Bond payments are made by the debt service fund.

The above long-term liabilities are reported in the governmental activities on the government-wide statements.

Total interest paid and accrued during the year on long-term liabilities was as follows:

<u>Type</u>	<u>Paid</u>	<u>Accrued</u>
Bonds	<u>\$ 556,387</u>	<u>\$ 546,203</u>

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 issue:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Balance June 30, 2023</u>
Refunding bonds	07-14-21	1.625-5.000%	03-01-41	<u>19,120,000</u>
				<u>\$ 19,120,000</u>

General Obligation Debt Limit Calculation

The 2022 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$908,866,241. The legal debt limit and margin of indebtedness as of June 30, 2023 in accordance with Section 67.03 of the Wisconsin Statutes follows:

Debt limit (10% of \$908,866,241)	<u>\$ 90,886,624</u>
Deduct long-term debt applicable to debt margin*	<u>(19,120,000)</u>
Margin of indebtedness	<u>\$ 71,766,624</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 5. Long-Term Liabilities - Continued

Maturities of General Obligation Debt

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt as of June 30, 2023 is as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 765,000	\$ 525,837	\$ 1,290,837
2025	825,000	487,587	1,312,587
2026	865,000	446,337	1,311,337
2027	910,000	403,088	1,313,088
2028	960,000	357,588	1,317,588
2029-2033	5,240,000	1,282,389	6,522,389
2034-2038	5,790,000	728,600	6,518,600
2039-2041	<u>3,765,000</u>	<u>151,600</u>	<u>3,916,600</u>
Totals	<u>\$ 19,120,000</u>	<u>\$ 4,383,026</u>	<u>\$ 23,503,026</u>

Debt Issuance Premium

Debt issuance premium is recognized in the year in which it occurs in the fund financial statements, but deferred and amortized using the effective interest method over the life of the debt issue in the government-wide statements.

Activity for the year ended June 30, 2023 is summarized as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance June 30, 2023</u>
Debt issuance premium	<u>\$ 1,045,320</u>	<u>\$ -</u>	<u>\$ 118,856</u>	<u>\$ 926,464</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 6. Fund Balances

Details of the District's fund balances as of June 30, 2023 are as follows:

	General	Special Revenue Trust	Debt Service	School Expansion and Renovation	Nonmajor Governmental	Total
Fund balances						
Nonspendable						
Prepaid expenses	\$ 5,901	\$ -	\$ -	\$ -	\$ -	\$ 5,901
Corpus of permanent fund	-	70,297	-	-	-	70,297
Restricted for						
Common school fund	16,070	-	-	-	-	16,070
Get kids ahead	28,889	-	-	-	-	28,889
Curriculum expansion	-	943,116	-	-	-	943,116
Other educational expenses	-	575,812	-	-	-	575,812
Scholarships	-	9,725	-	-	-	9,725
Student activities	-	167,668	-	-	-	167,668
Debt service	-	-	424,458	-	-	424,458
Capital projects	-	-	-	7,191,439	-	7,191,439
Capital improvements	-	-	-	-	1,005	1,005
Community service	-	-	-	-	306,187	306,187
Committed to						
Facilities and maintenance projects	1,805,311	-	-	-	-	1,805,311
Declining enrollment reserve	1,278,887	-	-	-	-	1,278,887
Professional development	25,000	-	-	-	-	25,000
Ebben Field master plan	270,357	-	-	-	-	270,357
Information technology infrastructure	150,000	-	-	-	-	150,000
Learning environment improvements	329,643	-	-	-	-	329,643
Unassigned	1,268,593	-	-	-	-	1,268,593
Total fund balances	<u>\$ 5,178,651</u>	<u>\$ 1,766,618</u>	<u>\$ 424,458</u>	<u>\$ 7,191,439</u>	<u>\$ 307,192</u>	<u>\$ 14,868,358</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

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

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

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

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan - Continued

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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, 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 \$293,472 in contributions from the District.

Contribution rates as of June 30, 2023 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
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%

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan - Continued

Pension Liabilities, Pension Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability of \$1,319,639 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2022, and the Total Pension Liability used to calculate the Net Pension Liability 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 was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.02490965%, which was a decrease of 0.00032749% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$674,573.

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 projected and actual experience	\$ 2,101,776	\$ 2,761,262
Net differences between projected and actual earnings on pension plan investments	2,241,763	-
Changes in assumptions	259,495	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,209	5,603
Employer contributions subsequent to the measurement date	<u>178,607</u>	<u>-</u>
Totals	<u>\$ 4,795,850</u>	<u>\$ 2,766,865</u>

\$178,607 reported as Deferred Outflows of Resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (Asset) in the year ended June 30, 2024. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension will be recognized in pension expense (revenue) as follows:

Year ended June 30,

2024	\$ 76,851
2025	383,966
2026	394,955
2027	<u>994,606</u>
Total	<u>\$ 1,850,378</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan - Continued

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 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	6.80%
Discount Rate	6.80%
Salary Increases	
Wage Inflation	3.00%
Seniority / Merit	0.10% - 5.60%
Mortality	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*	1.70%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.70% 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.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan - Continued

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %²</u>
Public Equity	48.0%	7.6%	5.0%
Public Fixed Income	25.0%	5.3%	2.7%
Inflation Sensitive	19.0%	3.6%	1.1%
Real Estate	8.0%	5.2%	2.6%
Private Equity / Debt	15.0%	9.6%	6.9%
Total Core Fund ³	115.0%	7.4%	4.8%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.2%	4.6%
International Equities	30.0%	8.1%	5.5%
Total Variable Fund	100.0%	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%.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 7. Defined Benefit Pension Plan - Continued

Single Discount Rate

A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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)	\$ 4,379,840	\$ 1,319,639	\$ (785,516)

Payables to the Pension Plan

Payables to the pension plan at June 30, 2023 were \$61,135. This represents the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Pension Plan Fiduciary Net Position

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

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund

General Information about the Other Post-Employment Benefits

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 members and pre-65 retirees who pay for their coverage.

Contributions

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

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

Contribution rates as of June 30, 2023 are:

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

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).

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund - Continued

Contributions - Continued

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.

During the reporting period, the LRLIF recognized \$1,095 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 of \$207,929 for its proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of December 31, 2022, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the Net OPEB Liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.05457700%, which was an increase of 0.00821000% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,677.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund - Continued

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - Continued

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	\$ -	\$ 20,349
Net differences between projected and investment earnings on plan investments	3,901	-
Changes in actuarial assumptions	74,705	122,735
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,486	17,711
Employer contributions subsequent to the measurement date	583	-
Totals	<u>\$ 130,675</u>	<u>\$ 160,795</u>

\$583 reported as deferred outflows of resources 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 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,

2024	\$ (817)
2025	(1,943)
2026	3,931
2027	(6,520)
2028	(11,686)
Thereafter	<u>(13,668)</u>
Total	<u>\$ (30,703)</u>

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund - Continued

Actuarial Assumptions

The Total OPEB Liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2022
Experience Study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.72%
Long-Term Expected Rate of Return	4.25%
Discount Rate	3.76%
Salary Increases	
Wage Inflation	3.00%
Seniority / Merit	0.10% - 5.60%
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 Financial Group, 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.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund - Continued

Long-Term Expected Return on Plan Assets - 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	50.00%	2.45%
US Mortgages	Bloomberg US MBS	50.00%	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 increase 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.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 8. Other Post-Employment Benefits (OPEB) - Local Retiree Life Insurance Fund - Continued

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%, 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%) or 1-percentage-point higher (4.76%) 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)	\$ 283,489	\$ 207,929	\$ 150,021

Note 9. Limitation on School District Revenues

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

- A resolution of the School Board or by referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

Note 10. Risk Management

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

Note 11. Risks and Uncertainties

Mutual Funds and Exchange Traded Products

The District's special revenue trust fund invests in various mutual funds and exchange traded products, which are exposed to various risks of loss including market and credit risks. Due to the level of risk associated with these investments, it is reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the investment balances and amounts reported in the financial statements.

School District of Kohler
Notes to the Basic Financial Statements
Year ended June 30, 2023

Note 12. Commitments and Contingencies

Architect and Construction Contract

At of June 30, 2023, the District had contractual commitments related to construction projects totaling approximately \$7,033,675 for building and athletic field improvements.

Claims and Judgements

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

Federal and State Grants

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

Note 13. Subsequent Events

Management has evaluated all subsequent events for possible recognition and disclosure through December 8, 2023, which is the date the financial statements were available to be issued. There are no subsequent events that require recognition or disclosure.

Required Supplementary Information

School District of Kohler
Budgetary Comparison Schedule - General Fund
Year ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Property taxes	\$ 4,743,191	\$ 4,743,191	\$ -
Other local sources	158,658	253,567	94,909
Interdistrict sources	2,208,360	2,224,128	15,768
Intermediate sources	-	5,708	5,708
State sources	814,917	821,835	6,918
Federal sources	245,095	418,001	172,906
Other sources	6,000	8,111	2,111
Total revenues	<u>\$ 8,176,221</u>	<u>\$ 8,474,541</u>	<u>\$ 298,320</u>
Expenditures			
Instruction			
Regular instruction	\$ 3,912,424	\$ 3,847,063	\$ 65,361
Vocational instruction	177,418	119,031	58,387
Special instruction	660	175	485
Other instruction	512,964	520,628	(7,664)
Total instruction	<u>\$ 4,603,466</u>	<u>\$ 4,486,897</u>	<u>\$ 116,569</u>
Support services			
Pupil services	\$ 383,328	\$ 399,600	\$ (16,272)
Instructional staff services	154,645	165,931	(11,286)
General administration services	676,068	635,046	41,022
Building administration services	651,164	350,937	300,227
Business services	179,133	190,579	(11,446)
Operations, maintenance and remodeling	758,503	955,912	(197,409)
Pupil transportation	103,350	134,157	(30,807)
Central services	138,654	145,171	(6,517)
Insurance and judgements	47,711	47,953	(242)
Principal, interest and related expense	500	1,108	(608)
Other support services	111,714	186,465	(74,751)
Total support services	<u>\$ 3,204,770</u>	<u>\$ 3,212,859</u>	<u>\$ (8,089)</u>
Total expenditures	<u>\$ 7,808,236</u>	<u>\$ 7,699,756</u>	<u>\$ 108,480</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 367,985</u>	<u>\$ 774,785</u>	<u>\$ 406,800</u>
Other financing sources (uses)			
Transfer to special education fund	\$ (467,985)	\$ (416,850)	\$ 51,135
Transfer to food service fund	-	(11,211)	(11,211)
Net other financing sources (uses)	<u>\$ (467,985)</u>	<u>\$ (428,061)</u>	<u>\$ 39,924</u>
Net change in fund balance	\$ (100,000)	\$ 346,724	\$ 446,724
Fund balance - Beginning of year	<u>4,831,927</u>	<u>4,831,927</u>	<u>-</u>
Fund balance - End of year	<u>\$ 4,731,927</u>	<u>\$ 5,178,651</u>	<u>\$ 446,724</u>

See accompanying notes to the required supplementary information.

School District of Kohler
 Budgetary Comparison Schedule - Special Education Fund
 Year ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Intermediate sources	\$ -	\$ 20	\$ 20
State sources	140,438	181,067	40,629
Federal sources	140,331	128,708	(11,623)
Total revenues	<u>\$ 280,769</u>	<u>\$ 309,795</u>	<u>\$ 29,026</u>
Expenditures			
Instruction			
Special instruction	<u>\$ 516,415</u>	<u>\$ 502,773</u>	<u>\$ 13,642</u>
Support services			
Pupil services	\$ 106,419	\$ 95,259	\$ 11,160
Instructional staff services	124,083	128,613	(4,530)
Operations, maintenance and remodeling	1,000	-	1,000
Central services	<u>837</u>	<u>-</u>	<u>837</u>
Total support services	<u>\$ 232,339</u>	<u>\$ 223,872</u>	<u>\$ 8,467</u>
Total expenditures	<u>\$ 748,754</u>	<u>\$ 726,645</u>	<u>\$ 22,109</u>
Excess (deficiency) of revenues over expenditures	\$ (467,985)	\$ (416,850)	\$ 51,135
Other financing sources (uses)			
Transfer from general fund	<u>467,985</u>	<u>416,850</u>	<u>(51,135)</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the required supplementary information.

School District of Kohler
Schedules of the District's Proportionate Share of the Net Pension
Liability (Asset) and District Contributions
Wisconsin Retirement System
Last Ten Fiscal Years*
June 30, 2023

Schedule of District's Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System

WRS Year-End Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Collective Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/22	0.02490965%	\$ 1,319,639	\$ 4,514,966	29.23%	95.72%
12/31/21	0.02523714%	(2,034,159)	4,290,432	47.41%	106.02%
12/31/20	0.02588838%	(1,616,247)	4,166,978	38.79%	105.26%
12/31/19	0.02696409%	(869,445)	4,154,779	20.93%	102.96%
12/31/18	0.02787943%	991,862	4,126,988	24.03%	96.45%
12/31/17	0.02865387%	(850,767)	4,178,748	20.36%	102.93%
12/31/16	0.02866219%	236,245	4,152,051	5.69%	99.12%
12/31/15	0.02873149%	466,881	4,137,727	11.28%	98.20%
12/31/14	0.02806618%	(689,382)	3,939,634	17.50%	102.74%

Schedule of District Contributions - Wisconsin Retirement System

WRS Year-End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/22	\$ 293,472	\$ 293,472	\$ -	\$ 4,514,966	6.50%
12/31/21	289,608	289,608	-	4,290,432	6.75%
12/31/20	281,270	281,270	-	4,166,978	6.75%
12/31/19	272,138	272,138	-	4,154,779	6.55%
12/31/18	276,508	276,508	-	4,126,988	6.70%
12/31/17	284,154	284,154	-	4,178,748	6.80%
12/31/16	274,035	274,035	-	4,152,051	6.60%
12/31/15	281,365	281,365	-	4,137,727	6.80%
12/31/14	275,774	275,774	-	3,939,634	7.00%

**The amounts presented for each year in each schedule were determined as of the calendar year-end that occurred within the District's fiscal year. The District is required to present the above information for the ten most recent years. However, until a full ten year trend is compiled the District will only report information for those years for which information is available.*

See accompanying notes to the required supplementary information.

School District of Kohler
Schedules of the District's Proportionate Share of the Net OPEB
Liability (Asset) and District Contributions
Local Retiree Life Insurance Fund
Last Ten Fiscal Years*
June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability (Asset) - Local Retiree Life Insurance Fund

LRLIF Year-End Date	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB Liability (Asset)	District's Covered Payroll	District's Collective Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/22	0.05457700%	\$ 207,929	\$ 3,121,000	6.66%	38.81%
12/31/21	0.04636700%	274,046	2,924,000	9.37%	29.57%
12/31/20	0.04052500%	222,917	2,628,000	8.48%	31.36%
12/31/19	0.04666200%	198,696	2,894,000	6.87%	37.58%
12/31/18	0.04464700%	115,204	2,935,000	3.93%	48.69%
12/31/17	0.05086100%	153,019	2,138,851	7.15%	44.81%

Schedule of District Contributions - Local Retiree Life Insurance Fund

LRLIF Year-End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/22	\$ 1,095	\$ 1,095	\$ -	\$ 3,121,000	0.0351%
12/31/21	949	949	-	2,924,000	0.0325%
12/31/20	808	808	-	2,628,000	0.0307%
12/31/19	843	843	-	2,894,000	0.0291%
12/31/18	860	860	-	2,935,000	0.0293%
12/31/17	965	965	-	2,138,851	0.0451%

**The amounts presented for each year in each schedule were determined as of the calendar year-end that occurred within the District's fiscal year. The District is required to present the above information for the ten most recent years. However, until a full ten year trend is compiled the District will only report information for those years for which information is available.*

School District of Kohler
Notes to the Required Supplementary Information
Year ended June 30, 2023

Note 1. Explanation of Differences Between the Budgetary Basis and GAAP Revenues and Expenditures

The District is required by the State of Wisconsin to maintain and budget separately for the special education fund. Generally accepted accounting principles (GAAP) requires that the special education fund be combined with the general fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the general fund and special education fund.

<u>Revenues</u>	<u>General</u>	<u>Special Education</u>
Actual amounts (budgetary basis) total revenues from the budgetary comparison schedules	\$ 8,474,541	\$ 309,795
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	<u>309,795</u>	<u>(309,795)</u>
General fund total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 8,784,336</u>	<u>\$ -</u>
 <u>Expenditures</u>		
Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedules	\$ 7,699,756	\$ 726,645
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	<u>726,645</u>	<u>(726,645)</u>
General fund total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 8,426,401</u>	<u>\$ -</u>

Note 2. Excess of Actual Expenditures Over Budget in Individual Funds

The following functions in the general fund, on the budgetary basis, had an excess of actual expenditures over budget for the year ended June 30, 2023.

<u>General Fund</u>	<u>Excess Expenditures</u>
Other instruction	\$ 7,664
Pupil services	16,272
Instructional staff services	11,286
Business services	11,446
Operations, maintenance and remodeling	197,409
Pupil transportation	30,807
Central services	6,517
Insurance and judgements	242
Principal, interest and related expense	608
Other support services	74,751
Transfer to food service fund	11,211

School District of Kohler
Notes to the Required Supplementary Information
Year ended June 30, 2023

Note 2. Excess of Actual Expenditures Over Budget in Individual Funds - Continued

The following functions in the special education fund, on the budgetary basis, had an excess of actual expenditures over budget for the year ended June 30, 2023.

<u>Special Education Fund</u>	<u>Excess Expenditures</u>
Instructional staff services	4,530

Note 3. Defined Benefit Pension Plan - Wisconsin Retirement System

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

Changes of Assumptions: The assumptions used to measure the total pension liability for the pension plan are summarized below.

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

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

School District of Kohler
Notes to the Required Supplementary Information
Year ended June 30, 2023

Note 3. Defined Benefit Pension Plan - Wisconsin Retirement System - Continued

	2022	2021	2020	2019	2018
Valuation Date:	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 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.

School District of Kohler
Notes to the Required Supplementary Information
Year ended June 30, 2023

Note 3. Defined Benefit Pension Plan - Wisconsin Retirement System - Continued

	2017	2016	2015	2014	2013
Valuation Date:	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions					
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.2%	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.2%	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1 - 5.6%	0.1 - 5.6%	0.1 - 5.6%	0.1 - 5.6%	0.1 - 5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%	2.1%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2006 - 2008.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality.	Wisconsin Projected Experience Table - 2005 for women and 90% of the Wisconsin Projected Experience Table - 2005 for men.

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

School District of Kohler
Notes to the Required Supplementary Information
Year ended June 30, 2023

Note 4. OPEB - Local Retiree Life Insurance Fund

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

Changes of Assumptions: In addition to the rate changes, 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, included 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, included the following:

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

Other Supplementary Information

School District of Kohler
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Long-Term Capital Improvement Trust	Food Service	Community Service	Total
Assets				
Cash and investments	\$ 1,005	\$ 25,373	\$ 281,020	\$ 307,398
Accounts receivable	-	-	28,366	28,366
Total assets	<u>\$ 1,005</u>	<u>\$ 25,373</u>	<u>\$ 309,386</u>	<u>\$ 335,764</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 13,008	\$ 2,374	\$ 15,382
Accrued salaries and related items	-	-	825	825
Unearned revenues	-	12,365	-	12,365
Total liabilities	\$ -	\$ 25,373	\$ 3,199	\$ 28,572
Fund balances				
Restricted	1,005	-	306,187	307,192
Total liabilities and fund balances	<u>\$ 1,005</u>	<u>\$ 25,373</u>	<u>\$ 309,386</u>	<u>\$ 335,764</u>

School District of Kohler
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2023

	Long-Term Capital Improvement Trust	Food Service	Community Service	Total
Revenues				
Property taxes	\$ -	\$ -	\$ 82,675	\$ 82,675
Other local sources	<u>1</u>	<u>268,211</u>	<u>247,578</u>	<u>515,790</u>
Total revenues	<u>\$ 1</u>	<u>\$ 268,211</u>	<u>\$ 330,253</u>	<u>\$ 598,465</u>
Expenditures				
Support services				
Food service	\$ -	\$ 279,422	\$ -	\$ 279,422
Community service	<u>-</u>	<u>-</u>	<u>452,899</u>	<u>452,899</u>
Total expenditures	<u>\$ -</u>	<u>\$ 279,422</u>	<u>\$ 452,899</u>	<u>\$ 732,321</u>
Excess (deficiency) of revenues over expenditures	\$ 1	\$ (11,211)	\$ (122,646)	\$ (133,856)
Other financing sources (uses)				
Transfer from general fund	<u>-</u>	<u>11,211</u>	<u>-</u>	<u>11,211</u>
Net change in fund balances	\$ 1	\$ -	\$ (122,646)	\$ (122,645)
Fund balances - Beginning of year	<u>1,004</u>	<u>-</u>	<u>428,833</u>	<u>429,837</u>
Fund balances - End of year	<u><u>\$ 1,005</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,187</u></u>	<u><u>\$ 307,192</u></u>

Federal Awards and State Financial Assistance

School District of Kohler
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Accrued Receivable July 1, 2022	Revenues Grantor Reimbursements	Expenditures Grantor	Accrued Receivable June 30, 2023	Subrecipient Awards
<u>U.S. Federal Communications Commission</u>							
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	\$ 52,500	\$ 52,500	\$ -	\$ -	\$ -
<u>U.S. Department of Education</u>							
Passed through WI Department of Public Instruction <i>Special Education Cluster (IDEA)</i>							
Special Education - Grants to States	84.027A	2023-592842-DPI-FLOW-341	\$ 87,251	\$ 87,251	\$ 141,398	\$ 141,398	\$ -
Special Education - Grants to States	84.027X	2022-592842-DPI-FLOW-341	27,517	27,517	-	-	-
Special Education - Preschool Grants	84.173A	2023-592842-DPI-PRESCH-347	11,298	11,298	5,885	5,885	-
Special Education - Preschool Grants	84.173X	2022-592842-DPI-PRESCH-347	3,119	3,119	-	-	-
<i>Total Special Education Cluster (IDEA)</i>			\$ 129,185	\$ 129,185	\$ 147,283	\$ 147,283	\$ -
Title I Grants to Local Educational Agencies	84.010A	2022-592842-DPI-TIA-141	8,860	8,860	-	-	-
Supporting Effective Instruction State Grants	84.367A	2022-592842-DPI-TIIADISC-365	-	750	750	-	-
Supporting Effective Instruction State Grants	84.367A	2023-592842-DPI-TIIA-365	5,900	5,900	4,905	4,905	-
Student Support and Academic Enrichment Program	84.424A	2023-592842-DPI-TIVA-381	7,149	7,149	4,036	4,036	-
Education Stabilization Fund							
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	2022-592842-DPI-ESSERFII-163	22,297	22,297	125,000	125,000	-
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	2023-592842-DPI-LETRS-165	-	-	4,000	4,000	-
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	2022-592842-DPI-ESSERFIII-165	-	-	24,642	24,642	-
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	2022-592842-DPI-EBIS-165	-	-	164,571	164,571	-
<i>Total U.S. Department of Education</i>			\$ 173,391	\$ 174,141	\$ 475,187	\$ 474,437	\$ -
<u>U.S. Department of Health and Human Services</u>							
Passed through WI Department of Health Services <i>Medicaid Cluster</i>							
Medical Assistance Program	93.778	44218000	\$ -	\$ 11,911	\$ 11,911	\$ -	\$ -
<i>Total Federal Awards</i>			\$ 225,891	\$ 238,552	\$ 487,098	\$ 474,437	\$ -

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

School District of Kohler
Schedule of State Financial Assistance
Year ended June 30, 2023

State Grantor/Pass-Through Grantor/Program or Cluster Title	State I.D. Number	Pass-Through Entity Identifying Number	Accrued Receivable July 1, 2022	Revenues Grantor Reimbursements	Expenditures Grantor	Accrued Receivable June 30, 2023	Subrecipient Awards
<u>Wisconsin Department of Public Instruction</u>							
Special Education and School Age Parents	255.101	592842-100	\$ -	\$ 179,156	\$ 179,156	\$ -	\$ -
Common School Fund Library Aid	255.103	592842-104	-	28,087	28,087	-	-
General Transportation Aid	255.107	592842-102	-	1,970	1,970	-	-
<i>General Aids Cluster</i>							
General Equalization Aid	255.201	592842-116	-	17,621	17,621	-	-
Special Adjustment Aid	255.203	592842-118	-	82,022	82,022	-	-
<i>Total General Aids Cluster</i>			\$ -	\$ 99,643	\$ 99,643	\$ -	\$ -
Peer-to-Peer Suicide Prevention Grant	255.246	592842-183	1,000	1,000	-	-	-
Early College Credit Program	255.445	592842-178	-	853	853	-	-
Educator Effective Evaluation System Grants	255.940	592842-154	-	-	4,560	4,560	-
Per Pupil Aid	255.945	592842-113	-	341,320	341,320	-	-
Assessments of Reading Readiness	255.956	592842-166	-	1,013	1,013	-	-
Aid for Special Education Transition Grant BBL	255.960	592842-168	-	1,911	1,911	-	-
Total WI Department of Public Instruction			\$ 1,000	\$ 654,953	\$ 658,513	\$ 4,560	\$ -
<u>Wisconsin Department of Revenue</u>							
Tax Exempt Computer Aid	xxx.xxx	-	\$ 325,699	\$ 325,699	\$ 325,699	\$ 325,699	\$ -
Personal Property Aid	xxx.xxx	-	-	18,690	18,690	-	-
Total WI Department of Revenue			\$ 325,699	\$ 344,389	\$ 344,389	\$ 325,699	\$ -
Total State Financial Assistance			\$ 326,699	\$ 999,342	\$ 1,002,902	\$ 330,259	\$ -

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

School District of Kohler
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
Year ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state award activity of the School District of Kohler and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Wisconsin Department of Public Instruction. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

CORSON, PETERSON & HAMANN S.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Kohler (the 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 and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying summary of auditor's results as item 2023-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District of Kohler's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying summary of auditor's results. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin

December 8, 2023

CORSON, PETERSON & HAMANN S.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the School District of Kohler's (the District) compliance with the types of compliance requirements identified as subject to audit in the *2023 Wisconsin School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2023. The District's major state programs are identified in the accompanying summary of auditor's results.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Wisconsin Department of Public Instruction in the *2023 Wisconsin School District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *2023 Wisconsin School District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *2023 Wisconsin School District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023 Wisconsin School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2023 Wisconsin School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin

December 8, 2023

School District of Kohler
Summary of Auditor's Results
Year ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued in accordance with
generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified?

 X Yes _____ None reported

Noncompliance material to the financial statements noted?

_____ Yes X No

State Awards

Internal control over major state programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified?

_____ Yes X No

Type of auditor's report issued on compliance
for major state programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with the *2023 Wisconsin School District
Audit Manual*?

_____ Yes X No

Identification of major state programs:

State ID Number Name of State Program or Cluster

General Aids Cluster

255.201 General Equalization Aid

255.203 Special Adjustment Aid

255.945 Per Pupil Aid

Dollar threshold used to distinguish between
type A and type B programs:

\$250,000

School District of Kohler
Summary of Auditor's Results
Year ended June 30, 2023

Section II - Financial Statement Findings

Finding No. 2023-001 - Preparation of the Financial Statements

Condition and Criteria - An ideal system of internal control includes an adequate system for the preparation of the financial statements. The District does not have an internal control system designed to provide for the preparation of the government-wide financial statements and footnotes being audited. Currently the auditor prepares the necessary entries to convert fund balance statements to the government-wide financial statements and drafts the financial statements and related notes.

Effect - Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the government-wide financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Cause - The additional costs associated with hiring additional staff experienced in preparing a complete set of financial statements and footnotes outweigh the derived benefits.

Auditor's Recommendation - This circumstance is not unusual in a District of similar size. While it may not be cost beneficial to hire additional staff to prepare the financial statements and accompanying notes, a thorough review by management is necessary to obtain an adequate understanding of the District's financial report.

Management's Response and Planned Corrective Actions - Management believes the cost of additional staff time and training to prepare the financial statements and footnotes outweigh the benefits received. The District will carefully review the draft of the financial statements and footnotes prior to approving them and accept responsibility for their content and presentation. The District will also meet with the auditor to review the financial statements in detail. Contact Matt Kautzer, Business Manager, 920-459-2920.

Section III - Major State Program Findings and Questioned Costs

None