

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2023

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**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Audited Financial Statements**

Year Ended June 30, 2023

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## Independent Auditors' Report

To the District Board  
Stoughton Area School District  
Stoughton, 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 Stoughton Area School District ("District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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 Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stoughton Area School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

## **Auditors' 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 auditors' 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 nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and schedule of expenditures of state awards as required by Wisconsin State Single Audit Guidelines, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 11, 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. The 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.

*Rilly, Pennie & Benton LLP*

December 11, 2023  
Milwaukee, Wisconsin

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

To the Board of Education  
Stoughton Area School District

The discussion and analysis of the Stoughton Area School District's 2022-2023 financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

The assets plus deferred outflows of resources of the District, exceeded liabilities plus deferred inflows of resources at the close of fiscal 2023 by \$72,341,387 (*net position*). This represents an increase of \$1,237,017 in net position in 2022-23.

Total District revenues were \$49,017,174; including \$23,515,385 of property taxes, \$15,066,031 of federal and state aid not restricted to specific purpose, and \$1,391,445 of interest income. Total District expenditures were \$47,898,646; including \$25,862,678 for direct instruction.

The following events took place during fiscal 2022-2023:

- The district balanced the 22-23 budget using ESSER II funds and plans to balance 23-24 using its ESSER III allocation. Using one-time resources for ongoing expenses creates a known fiscal cliff. The district is using these federal funds prior to seeking an operational referendum from the community to address funding shortfalls.
- The district is continually challenged to be fully staffed in hard to fill teaching and support staff positions. Maintaining salaries that are competitive with the private sector continues to be difficult with little to no increases in how much funding we receive per student.
- The community supported two debt referendum questions totaling \$48,000,000 for the purpose of facility improvements consisting of building systems, safety, security, energy efficiency, capital maintenance, site improvements, remodeling, removal of old buildings, and construction of a new maintenance building and gym.
- The district spent considerable amounts of time over the 22-23 school year in the design phase of its construction work after the passage of the capital referendum questions to meet a spring 2024 starting timeline.
- The district has received a variety of one-time grant and state/county sources of funding to support student mental health needs. Mental health supports are greatly needed, but the district is challenged by the lack of accessible providers and one-time versus dependable ongoing funding to implement long term solutions.
- Ongoing inflation occurring at the same time as funding has been frozen has made it difficult to pay for supplies, materials and purchased services.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

### Overview of the Financial Statements

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

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

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

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

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

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

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

	Fund Financial Statements		
	District-wide Statements	Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"><li>• Statement of Net Position.</li><li>• Statement of Activities.</li></ul>	<ul style="list-style-type: none"><li>• Balance Sheet.</li><li>• Statement of Revenues, Expenditures and Changes in Fund Balance.</li></ul>	<ul style="list-style-type: none"><li>• Statement of Fiduciary Net Position.</li><li>• Statement of Changes in Fiduciary Net Position.</li></ul>
Basis of accounting and measurement focus	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.
Type of asset 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.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

### District Wide Statements

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

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

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

### Fund Financial Statements

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

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for an HRA benefit. The assets of the HRA belong to the District's employees and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2023

(Continued)

**Financial Analysis of the District as a Whole**

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

**Table 1**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	Governmental Activities	Governmental Activities
	<b>2023</b>	<b>2022</b>
Current Assets	\$ 82,588	\$ 32,809
Capital Assets	46,304	42,739
Non-Current Assets	593	10,871
<b>TOTAL ASSETS</b>	<b>129,485</b>	<b>86,419</b>
Deferred outflows	24,172	20,021
Long-Term liabilities	59,058	3,425
Other liabilities	7,049	6,563
<b>TOTAL LIABILITIES</b>	<b>66,107</b>	<b>9,988</b>
Deferred inflows	15,209	25,347
Net position:		
Net investment in capital assets	42,991	41,283
Restricted	10,846	12,363
Unrestricted	18,504	17,459
<b>TOTAL NET POSITION</b>	<b>\$ 72,341</b>	<b>\$ 71,105</b>

Note: totals may not add due to rounding.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2023

(Continued)

Table 2 provides summarized operating results and their impact on net position.

**Table 2**  
**Changes in Net Assets from Operating Results**  
*(in thousands of dollars)*

	Governmental Activities	Governmental Activities
	2023	2022
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 2,307	\$ 1,691
Operating grants & contributions	6,438	5,865
Capital Grants & contributions	43	1,778
General Revenues		
Property taxes	23,515	24,961
State formula aid	12,670	12,421
Other	4,044	2,774
<b>TOTAL REVENUES</b>	<b>49,017</b>	<b>49,490</b>
<b>Expenses</b>		
Instruction	25,862	22,824
Pupil & Instructional Services	5,082	4,465
Administration & Finance	3,428	2,805
Maintenance & Operations	4,193	4,120
Transportation	1,193	1,050
Interest on Debt	1,032	147
Other	7,107	7,047
<b>TOTAL EXPENSES</b>	<b>47,897</b>	<b>42,458</b>
<b>TOTAL INCREASE IN NET POSITION</b>	<b>\$ 1,120</b>	<b>\$ 7,032</b>

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

The District relies primarily on property taxes (48.0% of total governmental revenues), and state formula aid (25.8%) to fund governmental activities.

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

**Table 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Net Cost of Services	% of Services	Net Cost of Services	% of Services
	2023	2023	2022	2022
<b>Expenses</b>				
Instruction	\$ 20,151	51.52%	\$ 15,496	46.78%
Pupil & Instructional Services	4,926	12.60%	4,343	13.11%
Administration & Finance	3,428	8.77%	2,805	8.47%
Maintenance & Operations	2,826	7.23%	3,911	11.81%
Transportation	1,104	2.82%	972	2.93%
Debt Service Payments	1,031	2.64%	147	0.44%
Other	5,644	14.43%	5,450	16.45%
<b>TOTAL EXPENSES</b>	<b>\$ 39,110</b>	<b>100%</b>	<b>\$ 33,124</b>	<b>100%</b>

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$47,898,646. Individuals who directly participated or benefited from a program offering paid for \$2,306,679 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$6,438,212. The net cost of governmental activities (\$39,110,775) was financed by general revenues of the District (\$23,515,385 property taxes, \$12,669,688 state formula aid, and \$4,044,210 other).

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

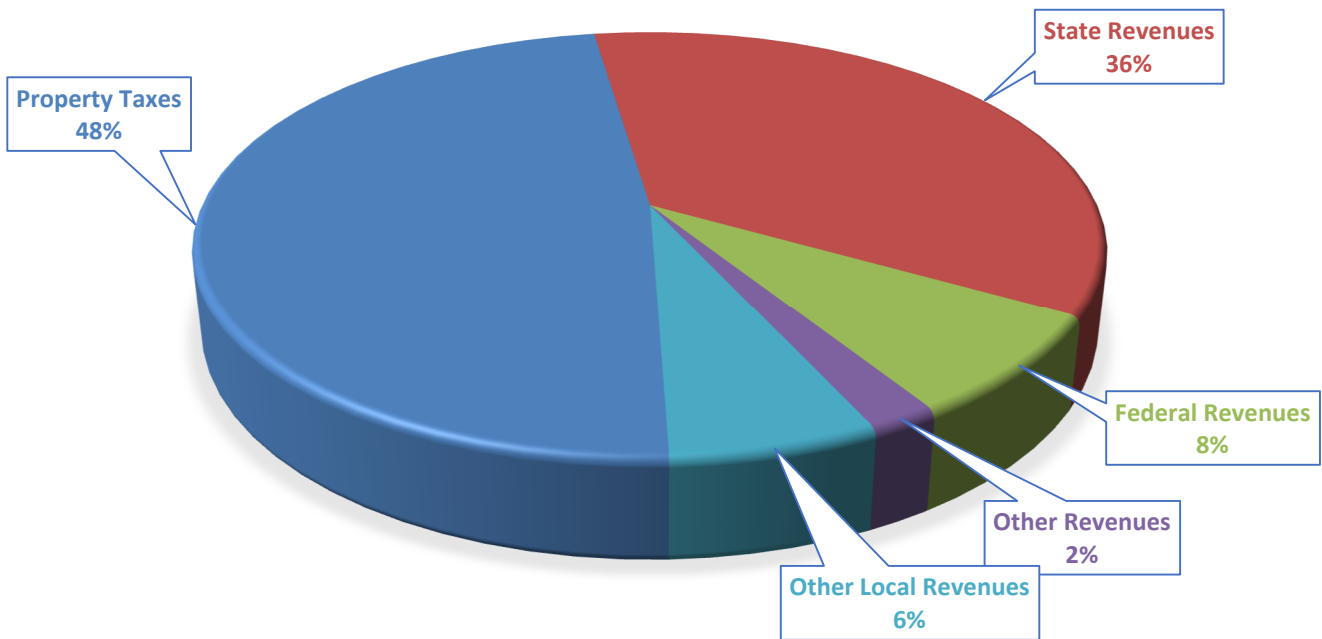
## Management Discussion & Analysis

June 30, 2023

(Continued)

The composition of governmental revenues by source is illustrated below in Chart 1. This chart does not include revenues from borrowing related to refinancing or maintenance referendum.

**CHART 1 GOVERNMENTAL REVENUE BY SOURCE**



## STOUGHTON AREA SCHOOL DISTRICT

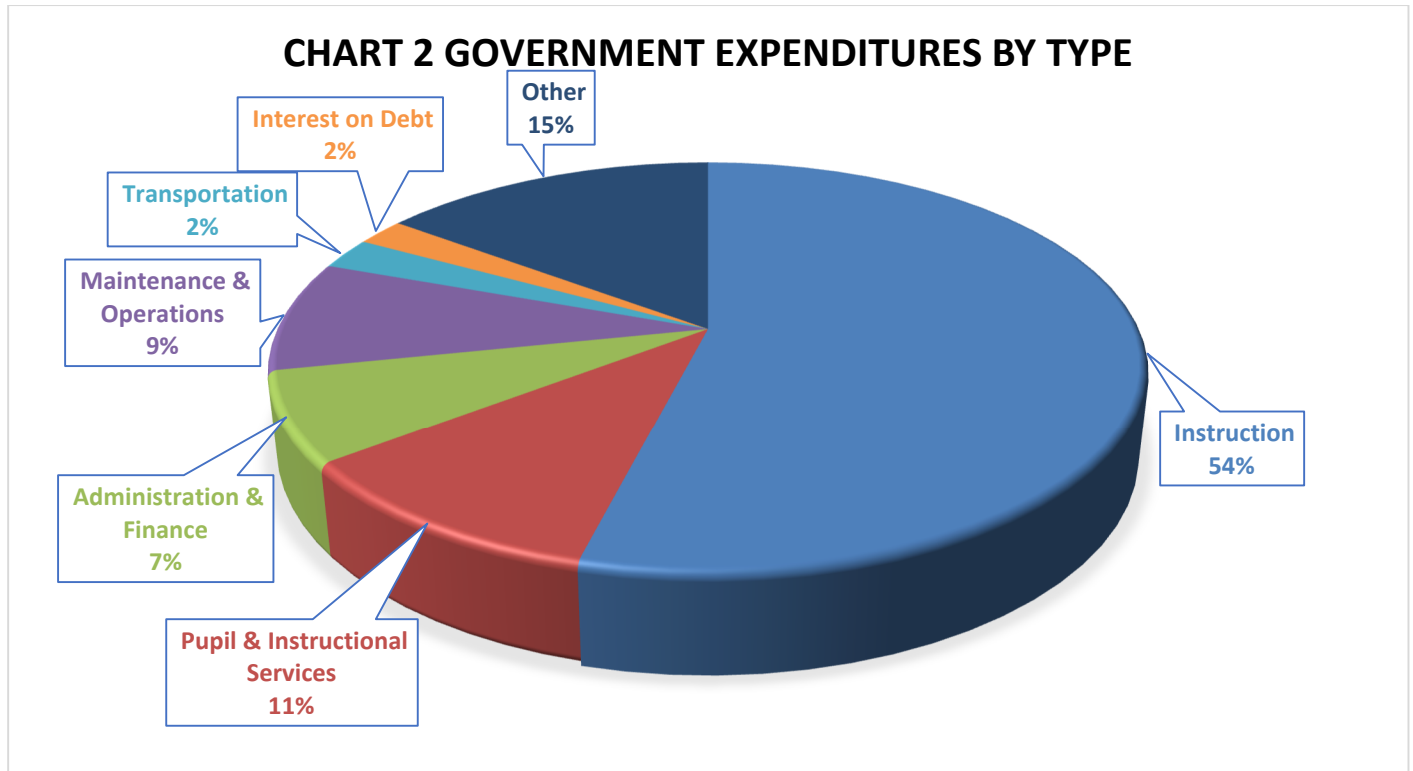
Stoughton, Wisconsin

### Management Discussion & Analysis

June 30, 2023

(Continued)

The composition of governmental expenditures by type is illustrated below in Chart 2.



### Financial Aspects of the District's Funds

- The general fund had a net increase in fund balance of \$35,902. The district under spent budgeted salaries and benefits, supplies, and expenses related to pupil and staff travel.
- The capital projects funds had an increase of \$47,813,769. This increase was largely due to the successful capital referendum that passed in Fall of 2022.
- The debt service funds had an increase of \$2,341,066. The fund balance of the debt service fund will fluctuate each year.
- The food service program (Fund 50) revenues exceeded expenses and increased the fund balance by \$19,480.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

### General Fund Budgetary Highlights

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

- Reallocation of budget appropriations in various buildings and departments to spend in different areas than originally identified.
- Modifications in several state and federal grants.
- An increase in library aid and corresponding expenditures when the final allocations were received from DPI in January.

### Capital Asset and Debt Administration

#### Capital Assets

At the end of fiscal year 2023, the District had invested \$97,313,034 in capital assets, including land, buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$54,250,551. Asset acquisitions for governmental activities totaled \$4,373,327 and disposals totaled \$718,956. The District recognized depreciation expense of \$3,165,920. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

**Table 4**  
**Capital Assets**  
(net of depreciation, in thousands of dollars)

	Governmental Activities		Total % Change
	2023	2022	2022-2023
Land	\$ 509	\$ 509	0.0%
Buildings	76,421	73,133	4.5%
Furniture and equipment	20,892	19,385	7.8%
Intangible Right-to-Use	294	294	0.0%
Construction in progress	2,513	1,228	104.6%
Accumulated depreciation	(54,251)	(51,801)	4.7%
Accumulated amortization	(74)	(10)	0.0%
<b>TOTAL</b>	<b>\$ 46,304</b>	<b>\$ 42,738</b>	<b>8.3%</b>

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2023

(Continued)

### Long-term Debt

At year-end the District had \$48,000,000 in bonds payable and other long-term debt outstanding – an increase of \$46,585,000 from fiscal 2022. This increase was a result of the 2022 Fall referendum passing. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

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

	Total School District		Total % Change
	2023	2022	2022-2023
General Obligation Debt	\$ 48,000	\$ 1,415	3292.2%
Capital Leases	231	284	-18.7%
<b>TOTAL</b>	<b>\$ 48,231</b>	<b>\$ 1,699</b>	<b>2738.8%</b>

Note: totals may not add due to rounding.

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

## **STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

### **Management Discussion & Analysis**

June 30, 2023

(Continued)

#### **Factors Bearing on the District's Future**

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

- The district has been experiencing declining enrollment creating significant negative impacts on future budgets. An independent project with MJRoffers indicated some uptick in the Stoughton housing market. Newly approved and in progress development may start to impact student enrollment, stemming or reversing the declining enrollment trend within the next five years. The district's September 2023 count was the first in many years where the district had stable enrollment compared to the prior year.
- The district continues to be negatively aided at the tertiary level in the state's equalization aid formula. Negative tertiary aid will decrease the total equalization aid the district receives which may increase the tax burden to the residents of the district.
- The most current State budget provides a \$325 annual increase per student in the revenue limit formula for public schools starting in the 2023-24 fiscal year. In lieu of increases up through 2022-2023, districts were directed to use one time Covid relief funds (ESSER). SASD used ESSER funds and staffing reductions to balance the 2022-2023 budget and plans to do the same for 2023-2024. The \$325 increase is not enough to make up for two straight years of funding freezes during a period of significant inflation so the district will need to make significant cuts or pursue an operational referendum.
- The district passed two debt referendum questions in November 2022 and will be addressing a variety of capital maintenance needs as well as minor remodeling and construction over the next few years. Planning for this work occurred over the course of the 2022-2023 fiscal year.
- Changing student needs will continue to impact the way the district allocates resources and creates staffing plans.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erica Pickett, Director of Business Services, Stoughton Area School District of Stoughton, Wisconsin, (608) 877-5011, 320 North Street, Stoughton, WI 53589.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Net Position**  
June 30, 2023

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash	\$ 25,706,858
Investments	48,526,071
Taxes receivable	5,830,354
Accounts receivable	32,995
Interest receivable	260,022
Lease receivable	11,481
Due from other governments	784,667
Prepaid expense	1,435,824
Total current assets	<u>82,588,272</u>
<b>Noncurrent assets:</b>	
Lease receivable, noncurrent	592,451
<b>Capital assets:</b>	
Land and construction in progress	3,003,305
Land held for lease	18,834
Other operating capital assets (net of accumulated depreciation)	41,942,575
Other property held for lease (net of accumulated depreciation)	1,119,908
Right to use leased assets (net of amortization)	219,571
<b>Net capital assets</b>	<u>46,304,193</u>
<b>Total noncurrent assets</b>	<u>46,896,644</u>
<b>Total assets</b>	129,484,916
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	23,453,347
Deferred outflows related to other post employment benefits ("OPEB")	326,746
Deferred outflows related to OPEB - life insurance	<u>392,108</u>
<b>Total deferred outflows of resources</b>	24,172,201
<b>Liabilities:</b>	
<b>Current liabilities</b>	
Accounts payable	2,286,170
Construction contracts payable	11,139
Withholdings and related district fringes payable	1,106,765
Accrued interest	633,257
Accrued payroll	2,378,589
Dental insurance deposits payable	43,045
Dental insurance claims payable	22,881
Security deposit payable	4,708
Unearned revenues	39,176
Current portion of long-term obligations	<u>523,653</u>
<b>Total current liabilities</b>	7,049,383
<b>Long-term liabilities:</b>	
Net pension liability	6,478,668
Long-term obligations, net of current portion	50,779,143
Net OPEB - life insurance liability	972,775
Total OPEB liability	827,190
<b>Total long-term liabilities</b>	<u>59,057,776</u>
<b>Total liabilities</b>	66,107,159
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	13,577,980
Deferred inflows related to other post employment benefits	302,476
Deferred inflows related to OPEB - life insurance	724,183
Deferred inflows related to leases	<u>603,932</u>
<b>Total deferred inflows of resources</b>	15,208,571
<b>Net Position:</b>	
Net investment in capital assets	42,990,777
Restricted for:	
Debt service	266,260
Capital projects	6,392,687
Food service	773,534
Other special revenue	3,414,538
Unrestricted	<u>18,503,591</u>
<b>Total net position</b>	<u>\$ 72,341,387</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2023

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses					
Governmental activities:					
Instruction:					
Regular instruction	\$ 16,235,052	\$ 821,799	\$ 1,003,636	\$ ---	
Special education instruction	5,904,029	---	3,306,695	---	
Vocational instruction	1,257,659	---	---	---	
Other instruction	2,465,938	579,230	---	---	
Total instruction	25,862,678	1,401,029	4,310,331	---	
Support services:					
Pupil services	1,719,081	---	---	---	
Instructional staff services	3,362,960	---	156,228	---	
Administration services	3,428,140	---	---	---	
Operation and maintenance of plant	4,193,392	106,737	1,217,649	43,000	
Pupil transportation	1,193,349	40,696	48,722	---	
Other support services	2,225,487	---	---	---	
Community services	243,479	67,792	50	---	
Food service	1,405,479	690,425	705,232	---	
Interest on long-term debt	1,031,591	---	---	---	
Unallocated depreciation and amortization	3,230,577	---	---	---	
Unallocated loss on disposal of assets	2,433	---	---	---	
Total support services	22,035,968	905,650	2,127,881	43,000	
Total school district	\$ 47,898,646	\$ 2,306,679	\$ 6,438,212	\$ 43,000	
General revenues:					
Taxes:					
Property taxes, levied for general purposes				21,334,105	
Property taxes, levied for debt service				1,353,831	
Property taxes, levied for specific purposes				797,158	
Other taxes				30,291	
Federal and state aid not restricted to specific purposes					
General				12,669,688	
Other				2,396,343	
Interest and investment earnings				1,391,445	
Miscellaneous				256,422	
Changes in net position					
Net position - beginning of year					
Prior period adjustment - correction of an error					
Net position - beginning of year, as adjusted					
Net position - end of year					

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
June 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 12,554,720	\$ 6,833,679	\$ 6,318,459	\$ 25,706,858
Investments	6,738	47,333,765	1,185,568	48,526,071
Taxes receivable	5,830,354	---	---	5,830,354
Accounts receivable	10,517	---	22,478	32,995
Interest receivable	---	260,022	---	260,022
Leases receivable	603,932	---	---	603,932
Due from other governments	784,667	---	---	784,667
Prepaid expenditures	1,435,824	---	---	1,435,824
<b>Total assets</b>	<b>\$ 21,226,752</b>	<b>\$ 54,427,466</b>	<b>\$ 7,526,505</b>	<b>\$ 83,180,723</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,839,789	\$ 256,693	\$ 189,688	\$ 2,286,170
Construction contracts payable	11,139	---	---	11,139
Withholdings and related district fringes payable	1,105,318	---	1,447	1,106,765
Accrued payroll	2,371,395	---	7,194	2,378,589
Dental insurance deposits payable	43,045	---	---	43,045
Dental insurance claims payable	22,881	---	---	22,881
Security deposit payable	4,708	---	---	4,708
Unearned revenues	2,392	---	36,784	39,176
<b>Total liabilities</b>	<b>5,400,667</b>	<b>256,693</b>	<b>235,113</b>	<b>5,892,473</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable leases receivable	603,932	---	---	603,932
Unavailable interest revenue	---	260,022	---	260,022
<b>Total deferred inflows of resources</b>	<b>603,932</b>	<b>260,022</b>	<b>---</b>	<b>863,954</b>
<b>Fund Balances:</b>				
Nonspendable	1,435,824	---	264,669	1,700,493
Restricted	96,472	53,910,751	6,834,268	60,841,491
Assigned	34,322	---	192,455	226,777
Unassigned	13,655,535	---	---	13,655,535
<b>Total fund balances</b>	<b>15,222,153</b>	<b>53,910,751</b>	<b>7,291,392</b>	<b>76,424,296</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 21,226,752</b>	<b>\$ 54,427,466</b>	<b>\$ 7,526,505</b>	<b>\$ 83,180,723</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**  
June 30, 2023

<b>Total fund balances - governmental funds</b>		<b>\$ 76,424,296</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
Cost of the assets	\$ 100,335,173	
Accumulated depreciation	<u>(54,250,551)</u>	
		46,084,622
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets	293,993	
Accumulated amortization	<u>(74,422)</u>	
		219,571
The District's proportionate share of the WRS pension plan liability is reported on the statement of net position, but is not reported in the governmental funds.		
		(6,478,668)
Deferred inflows and outflows of resources related to OPEB, OPEB - Life Insurance and pensions are applicable to future periods, and therefore, are not reported in the governmental funds.		
		9,567,562
The District's proportionate share of the net OPEB liability for the Local Retiree Life Insurance Fund administered by the Wisconsin Department of Employee Trust Funds is reported on the statement of net position, but is not reported in the governmental funds.		
		(972,775)
Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses, but these items are amortized over the life of the debt issue on the statement of activities.		
Unamortized debt premiums		(2,600,529)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	48,000,000	
Lease liability	230,951	
Post-employment benefit liability	827,190	
Compensated absences	<u>471,316</u>	
		(49,529,457)
Interest income that is unavailable is recorded as a deferred inflow in the governmental funds, but is not deferred on the statement of net position.		
		260,022
Accrued interest payable on the bonds is not due and payable in the current period, and therefore, is not reported as a liability in the funds		
		<u>(633,257)</u>
<b>Total net position - governmental activities</b>		<b><u>\$ 72,341,387</u></b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

Year Ended June 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 22,162,243	\$ 1,010,029	\$ 3,433,331	\$ 26,605,603
Interdistrict payments within Wisconsin	715,955	---	---	715,955
State	17,339,504	---	24,700	17,364,204
Federal	3,134,436	---	680,533	3,814,969
Other	157,592	---	147,066	304,658
<b>Total revenues</b>	<u>43,509,730</u>	<u>1,010,029</u>	<u>4,285,630</u>	<u>48,805,389</u>
<b>Expenditures:</b>				
Instruction:				
Current	22,459,313	---	634,248	23,093,561
Interdistrict	1,786,499	---	---	1,786,499
Capital outlay	353,284	---	8,000	361,284
Support Services:				
Current	15,334,109	---	1,821,571	17,155,680
Capital outlay	3,456,348	1,196,260	1,784,621	6,437,229
Debt service	84,275	---	1,892,126	1,976,401
<b>Total expenditures</b>	<u>43,473,828</u>	<u>1,196,260</u>	<u>6,140,566</u>	<u>50,810,654</u>
<b>Excess (deficiency) of revenues over expenditures</b>	35,902	(186,231)	(1,854,936)	(2,005,265)
<b>Other Financing Sources (Uses):</b>				
Face value of debt issued	---	48,000,000	---	48,000,000
Premium on debt issued	---	---	2,644,605	2,644,605
<b>Total other financing sources (uses)</b>	<u>---</u>	<u>48,000,000</u>	<u>2,644,605</u>	<u>50,644,605</u>
<b>Net change in fund balances</b>	<u>35,902</u>	<u>47,813,769</u>	<u>789,669</u>	<u>48,639,340</u>
<b>Fund Balances - Beginning of year</b>	15,186,251	6,096,982	6,383,234	27,666,467
<b>Prior period adjustment - correction of an error</b>	---	---	118,489	118,489
<b>Fund Balances - Beginning of year, as adjusted</b>	<u>15,186,251</u>	<u>6,096,982</u>	<u>6,501,723</u>	<u>27,784,956</u>
<b>Fund Balances - End of year</b>	<u>\$ 15,222,153</u>	<u>\$ 53,910,751</u>	<u>\$ 7,291,392</u>	<u>\$ 76,424,296</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2023

**Total net change in fund balances - governmental funds** **\$ 48,639,340**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expenses.

Capital outlays	\$ 6,798,513	
Depreciation expense	(3,165,920)	
Amortization expense for intangibles	<u>(64,657)</u>	
		3,567,936

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (2,433)

Proceeds received for the issuance of debt are an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (48,000,000)

Premiums on debt issuance are other financing sources in governmental funds, but are capitalized on the statement of net position. (2,644,605)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	1,415,000	
Lease liability	<u>53,399</u>	
		1,468,399

Amortization of premium on debt issuances reduces the balance of the respective liability. The amortization is included in interest expense on the statement of activities, but is not shown in the governmental funds. 58,921

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 195,896

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Pension expense	(3,277,560)	
District pension contributions	1,393,554	
OPEB - Life Insurance expense	(84,679)	
District OPEB - Life Insurance contributions	<u>5,123</u>	
		(1,963,562)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 169,362

Miscellaneous revenue in the statement of activities differs from the amount reported in the governmental funds because interest subsidies are recognized as revenue in the funds when it is received. In the statement of activities, however interest subsidies are recognized as they accrue, regardless of when they will be received. (48,239)

In the statement of activities, interest income is recognized when earned. In the governmental funds, however, interest income is recognized when measurable and available for use. 260,022

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (582,509)

**Change in net position of governmental activities** **\$ 1,118,528**

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Statement of Fiduciary Net Position**

June 30, 2023

	<b>HRA Benefit Account</b>
<b>ASSETS</b>	
Investments	<u>\$ 7,650,139</u>
<b>NET POSITION</b>	
Net position:	
Restricted	<u>7,650,139</u>
<b>Total net position</b>	<u><u>\$ 7,650,139</u></u>

**Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2023

	<b>HRA Benefit Account</b>
<b>ADDITIONS</b>	
Interest	\$ 101,132
Contributions to HRA benefit account	<u>1,961,763</u>
<b>Total additions</b>	<u>2,062,895</u>
<b>DEDUCTIONS</b>	
Disbursements from HRA benefit account	<u>1,552,944</u>
<b>Change in net position</b>	509,951
<b>Net position - beginning of year</b>	7,102,143
<b>Prior period adjustment</b>	<u>38,045</u>
<b>Net position - beginning of year, as adjusted</b>	<u>7,140,188</u>
<b>Net position - end of year</b>	<u><u>\$ 7,650,139</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Stoughton Area School District ("District") is organized as a common school district. The District, governed by a nine-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Stoughton Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed 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 general-purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-wide Statements**

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District has no business-type 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 of 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 have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statements**

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. 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 non-major funds.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

**Capital Projects Fund** – This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

The District accounts for fiduciary activities for the District's HRA post-employment benefits and the District's HRA for current employees' health benefits in an HRA benefit account.

**D. Measurement Focus and Basis of Accounting**

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

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

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.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Notes to Financial Statements (Continued)

Year Ended June 30, 2023

### 1. Summary of Significant Accounting Policies (Continued)

#### E. Cash

The District's cash is considered to be cash on hand, money markets and demand deposits. Cash and balances for individual funds are pooled unless maintained in segregated accounts.

#### F. Investments

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investment assets measured at fair value. There have been no changes in methodologies used at June 30, 2023.

*Annuity*: Valued at the current, lump sum value of a periodic future payments as calculated using a specific rate provided by the investee.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of the District's assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

#### G. Receivables

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 management determined that such allowance would not be material.

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Dane County and Rock County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies (Continued)**

**H. Lease Receivable**

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**I. Interfund Transactions**

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

There were no interfund transfers, receivables or payables for the year ended June 30, 2023.

**J. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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 District-wide statements are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings	\$ 5,000	Straight-line	45 - 60 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

The capitalization thresholds of \$5,000 are based upon grouped, as well as, individually purchased capital assets.

***Impairment of Long-Lived Assets***

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**K. Right to Use Assets**

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies (Continued)**

**L. Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

**M. Net Position**

The District classifies net position in the government wide financial statements as follows:

- *Net Investment in Capital Assets* – includes the District's capital assets (net of accumulated depreciation and amortization) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- *Restricted Net Position* – includes balances that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Unrestricted Net Position* – the residual balances that do not fall into the other two categories.

The District applies restricted resources when expense is incurred for purposes for which both a restricted and unrestricted net position are available.

**N. Fund Balance**

GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form 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 or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or their designee may assign amounts for specific purposes.
- *Unassigned* – amounts are available for any purpose, and if the general fund has available resources that are not of the other previously mentioned categories, it shall be deemed unassigned.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies (Continued)**

**N. Fund Balance (Continued)**

**Order of Fund Balance Spending Policy**

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. When the 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, as needed, unless the School Board, Business or District Administrator has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

In the general fund, the District will strive to maintain a minimum fund balance of 20% of its budget.

**O. Accumulated Unpaid Vacation and Sick Pay**

Liabilities and the related expenses for vacation benefits are recognized when earned. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources, and therefore, the liability is not reported.

Accumulated vested sick leave benefits are recognized as long-term liabilities and expenses when the sick leave benefits vest. Sick leave days, not to exceed a maximum number of days, vest for administrators, teachers and support staff, after the employee reaches the age of 55. The amount per day, paid upon termination, varies. The liability is reported on the government-wide financial statements. Compensated absences are generally liquidated by the general fund.

**P. Other Assets**

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient.

**Q. Pensions**

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

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

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

**R. Estimates**

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**1. Summary of Significant Accounting Policies (Continued)**

**S. OPEB – Life Insurance**

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 – life insurance liability
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, and,
- OPEB – Life Insurance Expense (Revenue)

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

**T. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed December 11, 2023. There were no subsequent events that require recognition or disclosure.

**2. Cash and Investments**

Cash and investments as shown on the District's statement of net position are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
<b>Cash:</b>		
Petty cash	\$ 50	
Demand deposits	<u>25,706,808</u>	Custodial
<b>Total cash</b>	<u>25,706,858</u>	
<b>Investments:</b>		
Certificates of deposit	796,868	Custodial and Interest Rate
Investment in annuity	7,650,139	Custodial
Local Government Investment Pool	395,437	Custodial
Wisconsin Investment Series Coop (“WISC”):		
Cash Management Series	3,116,525	Custodial, credit and interest rate
Term Series	10,000,000	Custodial and interest rate
Certificates of Deposit	16,874,250	Custodial and interest rate
Securities – Treasury Notes	<u>17,342,991</u>	Custodial and interest rate
<b>Total investments</b>	<u>56,176,210</u>	
<b>Total cash and investments</b>	<u>\$ 81,883,068</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of Net Position:	
Cash	\$ 25,706,808
Investment	48,526,071
Statement of Fiduciary Net Position:	
Investment	<u>7,650,139</u>
<b>Total cash and investments</b>	<u>\$ 81,883,068</u>

## STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

### Notes to Financial Statements (Continued)

Year Ended June 30, 2023

#### 2. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each local area bank and in the Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. However, due to the relatively small size of the SDGF in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental entities. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP 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 and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2023, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law.

A separate financial report for WISC is prepared in accordance with GASB. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies)
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**2. Cash and Investments (Continued)**

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments was \$81,883,068 at June 30, 2023 and the bank's carrying value was \$81,898,880, of which \$9,496,185 was fully insured, \$25,068,930 was collateralized by pledges and \$47,333,765 was uninsured and uncollateralized. The District has a policy to minimize custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. Information regarding the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Certificates of Deposit	\$ 796,868	\$ 400,000	\$ 396,868	\$ ---	\$ ---
WISC-Cash Management Series	3,116,525	3,116,525	---	---	---
WISC-Certificates of Deposit	16,874,250	482,950	16,391,300	---	---
WISC-Term Series	10,000,000	10,000,000	---	---	---
WISC-Securities-Treasury Notes	17,342,991	3,530,386	13,812,605	---	---
	<u>\$ 48,130,634</u>	<u>\$ 17,529,861</u>	<u>\$ 30,600,773</u>	<u>\$ ---</u>	<u>\$ ---</u>

**Credit Risk:** Generally, credit risk is the risk that an issuer of a type 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. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The WISC investments were rated as follows:

Investment	Average Credit Quality
Cash Management Series	AAAm

The District categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of America. 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. The District does not have any investments that are measured using Level 3 inputs.

Certificates of deposit are exempt from fair value disclosure due to the investments being valued at cost plus accrued interest earned. LGIP and WISC funds are exempt from fair value disclosure due to the investments being valued at amortized cost. The following summarizes the classification of investments within the statement of net position by classification and method of valuation in accordance with the requirements of accounting principles generally accepted in the United States of America for the year ending June 30, 2023:

	Fair Value			
	Level 1	Level 2	Level 3	Total
Annuity	\$ ---	\$ 7,650,139	\$ ---	\$ 7,650,139

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**3. Lease Receivable**

The District leases the Yahara building to an area business. The initial term of the lease commenced February 1, 2022 and ended August 31, 2023. The District receives monthly payments of \$3,958. For the year ended June 30, 2023, the District received \$46,618 in lease revenue and \$734 in lease interest revenues. The lease was extended through November 30, 2023. The lease revenue the District will receive as a result of the extension is immaterial and therefore not reflected in the future payment schedule below.

In January 1997 the District signed a lease with Verizon Wireless for a portion of land for a phone tower. A second amendment to the lease commenced on July 1, 2020, extending the lease for 5 years. The term of the lease shall be extended for 5 additional terms of 5 years each unless terminated by Verizon Wireless. The District expects the extensions to be utilized. With each extension, the lease payment increases by 20%. For the year ended June 30, 2023, the District received \$3,500 in lease revenue and \$15,162 in lease interest revenues.

Future payments due to the District are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,481	\$ 15,098	\$ 26,579
2025	3,680	14,982	18,662
2026	3,773	14,889	18,662
2027	7,601	14,794	22,395
2028	7,793	14,602	22,395
2029-2033	51,096	69,837	120,933
2034-2038	83,262	61,856	145,118
2039-2043	124,781	49,361	174,142
2044-2048	177,911	31,060	208,971
2049-2051	132,554	6,760	139,314
<b>Totals</b>	<b>\$ 603,932</b>	<b>\$ 293,239</b>	<b>\$ 897,171</b>

**4. Capital Assets**

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

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance 6/30/2023</u>
Governmental activities:					
<b>Capital assets not being depreciated</b>					
Land	\$ 509,421	\$ ---	\$ ---	\$ ---	\$ 509,421
Construction in progress	1,228,391	2,425,186	---	(1,140,859)	2,512,718
<b>Total not being depreciated</b>	1,737,812	2,425,186	---	(1,140,859)	3,022,139
<b>Capital assets being depreciated</b>					
Buildings	73,133,170	2,746,991	---	540,707	76,420,868
Equipment	19,384,634	1,626,336	(718,956)	600,152	20,892,166
Total being depreciated	92,517,804	4,373,327	(718,956)	1,140,859	97,313,034
Less accumulated depreciation	(51,801,154)	(3,165,920)	716,523	---	(54,250,551)
<b>Total being depreciated, net</b>	40,716,650	1,207,407	(2,433)	1,140,859	43,062,483
<b>Intangible right to use assets</b>					
Leased equipment	293,993	---	---	---	293,993
Less accumulated amortization	(9,765)	(64,657)	---	---	(74,422)
Net intangible right to use assets	284,228	(64,657)	---	---	219,571
<b>Governmental activity capital assets, net</b>	<b>\$ 42,738,690</b>	<b>\$ 3,567,936</b>	<b>\$ (2,433)</b>	<b>\$ ---</b>	<b>\$ 46,304,193</b>

All depreciation and amortization expense was charged to unallocated depreciation on the Statement of Activities.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**5. Long-Term Liabilities**

Long-term liabilities of the District are as follows:

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2023</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 1,415,000	\$ 48,000,000	\$ (1,415,000)	\$ 48,000,000	\$ 475,000
Add: Unamortized premium	14,845	2,644,605	(58,921)	2,600,529	N/A
Lease liability	284,350	---	(53,399)	230,951	48,653
Compensated absences	640,678	---	(169,362)	471,316	---
<b>Total long-term liabilities</b>	<b>\$ 2,354,873</b>	<b>\$ 50,644,605</b>	<b>\$ (1,696,682)</b>	<b>\$ 51,302,796</b>	<b>\$ 523,653</b>

Total interest paid and expensed (including accrual) for the year ended June 30, 2023 on long-term debt was \$182,320 and \$764,831 respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

Long-term debt at June 30, 2023 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Dates of Maturity</u>	<u>Issued Amount</u>	<u>Balance 6/30/2023</u>
G.O. Corporate Purpose Bonds	03/06/23	4.00 to 5.00%	03/01/43	\$ 48,000,000	\$ 48,000,000

The 2022 equalized value of the District as certified by the Wisconsin Department of Revenue is \$3,092,305,943. The legal debt limit and margin of indebtedness as of June 30, 2023, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$3,092,305,943)	\$ 309,230,594
Deduct long-term debt applicable to debt margin	(48,000,000)
Margin of indebtedness	<u>\$ 261,230,594</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt are as follows:

<u>Year Ended June 30,</u>	<u>G.O. Debt Principal</u>	<u>G.O. Debt Interest</u>	<u>Total</u>
2024	\$ 475,000	\$ 1,970,743	\$ 2,445,743
2025	1,350,000	1,974,750	3,324,750
2026	1,275,000	1,907,250	3,182,250
2027	1,450,000	1,843,500	3,293,500
2028	1,575,000	1,771,000	3,346,000
2029-2033	10,285,000	7,638,850	17,923,850
2034-2038	14,105,000	5,238,200	19,343,200
2039-2043	17,485,000	2,158,600	19,643,600
<b>Total</b>	<b>\$ 48,000,000</b>	<b>\$ 24,502,893</b>	<b>\$ 72,502,893</b>

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Notes to Financial Statements (Continued)

Year Ended June 30, 2023

### 5. Long-Term Liabilities (Continued)

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Monthly Payment Amount	Interest Rate	Balance June 30, 2023
Copiers	3/15/2022	5 years	\$ 5,959	10.94%	\$ 230,951

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 48,653	\$ 22,851	\$ 71,504
2025	54,248	17,256	71,504
2026	60,486	11,017	71,503
2027	67,564	4,061	71,625
<b>Total</b>	<b>\$ 230,951</b>	<b>\$ 55,185</b>	<b>\$ 286,136</b>

### 6. Fund Balances

As of June 30, 2023, fund balance components other than unassigned fund balances consist of the following:

	Nonspendable	Restricted	Assigned
<b>General fund:</b>			
Prepaid expenditures	\$ 1,435,824	\$ ---	\$ ---
Self-Insurance	---	---	34,322
Unspent Get Kids Ahead grant	---	96,472	---
<b>Other Special Revenue:</b>			
Corpus	264,669	---	---
Other	---	3,149,869	---
Food service program	---	773,534	---
Community service	---	---	192,455
Debt service	---	2,910,865	---
Capital projects	---	53,910,751	---
<b>Total</b>	<b>\$ 1,700,493</b>	<b>\$ 60,841,941</b>	<b>\$ 226,777</b>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**7. Defined Benefit Pension Plan**

**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds ("ETF"). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, 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 become 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 occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/16) 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.

***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.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**7. Defined Benefit Pension Plan (Continued)**

The Core and Variable annuity adjustments granted during recent years are as follows:

<b>Year</b>	<b>Core Fund Adjustment (%)</b>	<b>Variable Fund Adjustment (%)</b>
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 for general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,393,554 in contributions from the employer.

Contribution rates as of June 30, 2023 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers, executives & elected officials)	6.80%	6.80%
Protective with Social Security	6.80%	13.20%
Protective without Social Security	6.80%	18.10%

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

At June 30, 2023, the District reported a liability of \$6,478,668 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 0.1223%, which was an decrease of 0.0051% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$3,277,560.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**

Year Ended June 30, 2023

**7. Defined Benefit Pension Plan (Continued)****Pension Liabilities, Pension Expense (Revenue) and Deferred Outflows and Inflows of Resources Related to Pensions (continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,318,510	\$ 13,556,207
Changes in assumptions	1,273,974	---
Net difference between projected and actual earnings on pension plan investments	11,005,763	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	117,188	21,773
Employer contributions subsequent to the measurement date	737,912	---
<b>Total</b>	<b>\$ 23,453,347</b>	<b>\$ 13,577,980</b>

The amount of \$732,912 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense (revenue) as follows:

<u><b>Year Ended June 30,</b></u>	
2024	\$ 394,938
2025	1,897,450
2026	1,953,008
2027	4,892,059

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

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

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

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

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

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**Asset Allocation Targets and Expected Returns\***  
**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 %**</u>
Public Equity	48	7.6	5
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6
Private Equity/Debt	15	9.6	6.9
Total Core Fund***	115	7.4	4.8
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100	7.7	5.1

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

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

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

**Single Discount rate.** A single discount rate of 6.80% was used to measure the total pension liability for the current and prior year. This discount rate was based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.70% 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.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

*Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	<u>1% Decrease to Discount Rate (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase to Discount Rate (7.80%)</u>
District's proportionate share of the net pension liability (asset)	\$ 21,502,489	\$ 6,478,668	\$ (3,856,431)

*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>.

Payables to the pension plan at June 30, 2023 were \$161,744. This represents contributions earned as of June 30, 2023, but for which payment was not remitted to the pension plan until subsequent to year-end.

**8. Self-Funded Insurance Program**

In a prior year, the Stoughton Area School District established a self-funded dental benefit plan (the "Plan") for its employees. The Plan administrator, Delta Dental is responsible for the approval, processing, and payment of claims, after which Delta Dental bills the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30th.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2023, the District has reported a liability of \$22,881, which represents reported and unreported claims which were incurred on or before June 30, 2023, but were not paid by the District as of that date. This amount consists of claims reported to the Plan administrator but not paid by the District of \$12,836 and claims which were not yet reported to the Plan administrator of \$10,045. The amounts not yet reported were determined by the Plan administrator. Changes in the claims liability are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Estimated Claims Outstanding July 1	\$ 20,565	\$ 19,924
Current Year Claims and Changes in Estimates	381,715	373,565
Claim Payments	(379,399)	(372,924)
<b>Estimated Claims Outstanding</b>	<u>\$ 22,881</u>	<u>\$ 20,565</u>

The self-funded dental plan is immaterial. Therefore, an actuarial certification does not apply.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**9. Other Post-Employment Benefits**

**Description**

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit ("OPEB"), the later commonly referred to as an implicit rate subsidy.

For administrators at least age 57 with a minimum of 10 years of service with the District or a minimum of 20 years of service in the District, the District will pay the full amount of the single or family medical premiums on behalf of the retiree annually over a period of four years or until Medicare eligibility, whichever occurs first.

For teachers at least age 55 with a minimum of 15 years of service with the District whom retired prior to June 30, 2018, the District will contribute \$500 per month into an HRA for a period of 5 years not to exceed Medicare-eligibility for use on the District's health plan or an outside provider.

For teachers at least age 55 with a minimum of 15 years of service with the District and eligible to retire prior to June 30, 2022, the District will contribute \$500 per month for a period of 5 years but not to exceed Medicare-eligibility for use towards continued coverage on the District's health plan for the duration of COBRA or an outside provider.

Employees participating in the OPEB benefit consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	37
Active employees fully eligible but not yet receiving benefit payments	42
Active employees not fully eligible	283
<b>Number of participating employees</b>	<u><u>362</u></u>

**Total OPEB Liability**

No assets are accumulated in a trust that meets all the criteria in GASB Statement No. 75, paragraph 4 because the District's contributions are not into a legally established irrevocable trust. Accordingly, the District's total OPEB liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total OPEB liability.

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021. Changes in the District's total OPEB liability were as follows:

<b>Balance 6/30/22 - measurement date 6/30/21</b>	\$ 996,990
Changes for the year:	
Service cost	50,871
Interest	20,793
Changes of benefit terms	---
Differences between expected and actual experience	5,202
Changes of assumptions or other input	(50,121)
Benefit payments	(196,545)
Net changes	<u>(169,800)</u>
<b>Balance 6/30/23 - measurement date 6/30/22</b>	<u><u>\$ 827,190</u></u>

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**

Year Ended June 30, 2023

**9. Other Post-Employment Benefits (Continued)****Actuarial Assumptions**

Actuarial assumptions used to determine the total OPEB liability as of June 30, 2023 were based on the results of an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	6/30/2021
Measurement date	6/30/2022
Reporting date	6/30/2023
Actuarial cost method	Entry Age Normal – Level % of salary
Health care trend	6.50% decreasing by 0.10% per year down to 5.00% and level thereafter
Discount rate*	4.00%, as opposed to 2.25% for the prior year (based upon all years of projected payments discounted at a municipal bond rate of 4.00%, as opposed to 2.25% for the prior year)
Municipal bond rate source	Bond Buy 20-Bond Go Index
Mortality assumptions	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)

\* Implicit in this rate is an assumed rate of inflation of 2.50%, as opposed to 2.00% for the prior year

**Discount Rate**

The following presents the total OPEB liability calculated using the discount rate of 4.00%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.00%) or 1% higher (5.00%) than the current rate:

	<b>1% Decrease to Discount Rate (3.00%)</b>	<b>Current Discount Rate (4.00%)</b>	<b>1% Increase to Discount Rate (5.00%)</b>
Total OPEB liability	\$ 855,697	\$ 827,190	\$ 799,137

**Healthcare Cost Trend Rates**

The following presents the total OPEB liability calculated using the healthcare cost trend rate of 6.5%, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4.0%) or 1% higher (7.5% decreasing to 6.0%) than the current rate:

	<b>1% Decrease to Healthcare Cost Trend (5.5% Decreasing to 4.0%)</b>	<b>Current Healthcare Cost Trend (6.5% Decreasing to 5.0%)</b>	<b>1% Increase to Healthcare Cost Trend (7.5% Decreasing to 6.0%)</b>
Total OPEB liability	\$ 788,024	\$ 827,190	\$ 871,955

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**9. Other Post-Employment Benefits (Continued)**

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$42,799. At June 30, 2023, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Employer contributions subsequent to the measurement date	\$ 238,695	\$ ---
Differences between expected and actual experience	4,729	231,815
Changes of assumptions or other input	83,322	70,661
<b>Total</b>	<b>\$ 326,746</b>	<b>\$ 302,476</b>

The amount of \$238,695 reported as deferred outflows related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

<u><b>Year Ended June 30,</b></u>	
2024	\$ (28,865)
2025	(28,865)
2026	(26,650)
2027	(26,650)
2028	(26,650)
Thereafter	(76,742)

**10. Actively-Funded Retirement Benefit**

For teachers not eligible for retirement benefits under the OPEB plan described in Note 9, the District offers a defined contribution plan. The District contributes \$750 per year into an irrevocable HRA account to be used upon retirement for insurance coverage with an outside provider. The contributions are made annually into the HRA account in the year the benefit is earned.

For the year ended June 30, 2023, the District recognized expense of \$144,000 related to the defined contribution plan. Funds accumulated in the HRA for any employee who terminates employment prior to reaching eligibility requirements stated in the plan documents for retirement will revert back to the District. Total forfeited contributions for the year ending June 30, 2023 were \$214,579.

**11. Other Post-Employment Benefits – Life Insurance**

**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 employees.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**11. Other Post-Employment Benefits – Life Insurance (Continued)**

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

Contribution rates as of June 30, 2023 are:

<b><u>Coverage Type</u></b>	<b><u>Employer Contribution</u></b>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2022 are as listed below:

<b>Life Insurance Employee Contribution Rates* For the year ended December 31, 2022</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit		

During the reporting period, the LRLIF recognized \$5,123 in contributions from the District.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**11. Other Post-Employment Benefits – Life Insurance (Continued)**

**OPEB Liabilities – Life Insurance, OPEB – Life Insurance Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Life Insurance**

At June 30, 2023, the District reported a liability of \$972,775 for its proportionate share of the net OPEB life insurance liability. The net OPEB life insurance liability was measured as of December 31, 2022, and the total OPEB life insurance liability used to calculate the net OPEB life insurance 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 life insurance liability was based on the District's share of contributions to the OPEB Life Insurance plan relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.2553%, which was an decrease of 0.0056% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB – Life Insurance expense of \$84,679.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ ---	\$ 95,202
Net difference between projected and actual earnings on OPEB – Life Insurance plan investments	18,253	---
Changes in assumptions	349,496	574,204
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,359	54,777
<b>Total</b>	<b>\$ 392,108</b>	<b>\$ 724,183</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB – life insurance will be recognized in OPEB – life insurance expense (revenue) as follows:

<b><u>Year Ended June 30,</u></b>	
2024	\$ (32,505)
2025	(38,070)
2026	(16,487)
2027	(57,281)
2028	(96,413)
Thereafter	(91,319)

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**11. Other Post-Employment Benefits – Life Insurance (Continued)**

**Actuarial assumptions.**

The total OPEB – life insurance 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-ETF Liability (Asset)	December 31, 2022
Experience Study	January 1, 2018 - December 31, 2020, Published November 19, 2021.
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.76%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table

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

**Long-term expected Return on Plan Assets**

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

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Intermediate Credit Bonds	Bloomberg US Interim 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%.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2023

**11. Other Post-Employment Benefits – Life Insurance (Continued)**

**Single Discount rate**

A single discount rate of 3.76% was used to measure the total OPEB - ETF liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB - ETF Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**Sensitivity of the District's proportionate share of the net OPEB – life insurance liability to changes in the discount rate**

The following presents the District's proportionate share of the net OPEB – ETF liability calculated using the discount rate of 3.76%, as well as what the District's proportionate share of the net OPEB - ETF liability 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:

	<u>1% Decrease to Discount Rate (2.76%)</u>	<u>Current Discount Rate (3.76%)</u>	<u>1% Increase to Discount Rate (4.76%)</u>
District's proportionate share of the net OPEB – life insurance liability	\$ 1,326,275	\$ 972,775	\$ 701,857

**12. Limitation on School District Revenues**

Wisconsin 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 service (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

**13. Risk Management**

The Stoughton Area School 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.

**14. Commitments and Contingencies**

The District had contractual commitments outstanding as of June 30, 2023 of approximately \$49,956,036 for various construction projects of which \$2,512,718 has been expended. The majority of the contracts will be funded from the District's capital projects fund.

## STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

### Notes to Financial Statements (Continued)

Year Ended June 30, 2023

#### 14. Commitments and Contingencies (Continued)

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2023, are not likely to have a material adverse impact on the District's financial position.

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

#### 15. Effect of New Accounting Standards on Financial Statements

The Government Accounting Standards Board (GASB) has approved the following:

- GASB Statement No. 100, *Accounting changes and error corrections* for periods beginning after June 15, 2023
- GASB Statement No. 101, *Compensated absences* for periods beginning after December 15, 2023

When they become effective, application of these standards may restate portions of these financial statements.

#### 16. Adjustments due to Correction of an Error

An adjustment of \$38,045 has been made to increase the net position of the HRA Benefit Account as of June 30, 2022. The adjustment was a result of subsequent adjustments the investment custodian made to the investment balances as of June 30, 2022.

A prior year adjustment has been made to the June 30, 2022 governmental activities and other special revenue fund. The adjustment corrects the June 30, 2022 scholarships payable balance. As a result, an adjustment of \$118,489 was made to increase the net position of the governmental activities and other special revenue fund balance as of June 30, 2022.

## REQUIRED SUPPLEMENTARY INFORMATION

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2023

	<b>Fund 10 - Budget</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
<b>Revenues:</b>				
Local	\$ 21,743,006	\$ 21,743,006	\$ 22,162,243	\$ 419,237
Interdistrict payments within Wisconsin	722,717	728,260	715,955	(12,305)
State	15,041,944	15,238,649	15,297,407	58,758
Federal	4,746,122	4,746,515	2,358,819	(2,387,696)
Other	40,000	40,000	156,592	116,592
<b>Total revenues</b>	<b>42,293,789</b>	<b>42,496,430</b>	<b>40,691,016</b>	<b>(1,805,414)</b>
<b>Expenditures:</b>				
Instruction:				
Current	17,328,652	17,321,251	17,077,365	243,886
Interdistrict	1,789,337	1,789,337	1,786,499	2,838
Capital outlay	337,459	353,162	353,284	(122)
Support Services:				
Current	15,849,405	16,214,856	13,858,552	2,356,304
Capital outlay	1,930,209	2,117,035	3,376,889	(1,259,854)
Debt service	73,480	83,055	84,275	(1,220)
<b>Total expenditures</b>	<b>37,308,542</b>	<b>37,878,696</b>	<b>36,536,864</b>	<b>1,341,832</b>
<b>Excess of revenues over expenditures</b>	<b>4,985,247</b>	<b>4,617,734</b>	<b>4,154,152</b>	<b>(463,582)</b>
<b>Other Financing Sources (uses):</b>				
Operating transfers in (out)	(4,659,261)	(4,659,261)	(4,118,250)	541,011
Proceeds from sale of capital assets	100	100	---	(100)
<b>Total other financing uses</b>	<b>(4,659,161)</b>	<b>(4,659,161)</b>	<b>(4,118,250)</b>	<b>540,911</b>
<b>Net change in fund balances</b>	<b>326,086</b>	<b>(41,427)</b>	<b>35,902</b>	<b>77,329</b>
<b>Fund Balances - Beginning of year</b>	<b>15,186,251</b>	<b>15,186,251</b>	<b>15,186,251</b>	<b>---</b>
<b>Fund Balances - End of year</b>	<b>\$ 15,512,337</b>	<b>\$ 15,144,824</b>	<b>\$ 15,222,153</b>	<b>\$ 77,329</b>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**Special Education Fund**  
Year Ended June 30, 2023

	<b>Fund 27 - Budget</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
<b>Revenues:</b>				
State	\$ 1,645,497	\$ 1,660,784	\$ 2,042,097	\$ 381,313
Federal	923,948	923,948	775,617	(148,331)
Other	---	---	1,000	1,000
<b>Total revenues</b>	<u>2,569,445</u>	<u>2,584,732</u>	<u>2,818,714</u>	<u>233,982</u>
<b>Expenditures:</b>				
Instruction:				
Current	5,688,841	5,658,893	5,381,948	276,945
Interdistrict	35,000	35,000	---	35,000
Support Services:				
Current	1,504,865	1,472,792	1,475,557	(2,765)
Capital outlay	---	77,308	79,459	(2,151)
<b>Total expenditures</b>	<u>7,228,706</u>	<u>7,243,993</u>	<u>6,936,964</u>	<u>307,029</u>
<b>Deficiency of revenues over expenditures</b>	<u>(4,659,261)</u>	<u>(4,659,261)</u>	<u>(4,118,250)</u>	<u>541,011</u>
<b>Other Financing Sources:</b>				
Operating transfers in	4,659,261	4,659,261	4,118,250	(541,011)
<b>Net change in fund balances</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Fund Balances - Beginning of year</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Fund Balances - End of year</b>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Proportionate Share of the Net Pension Asset (Liability)**  
Year Ended June 30, 2023

Wisconsin Retirement System  
Last 10 Fiscal Years\*

WRS Fiscal Year End Date	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered payroll	Net pension asset (liability) as a percentage of employee payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
12/31/22	0.1223%	\$ (6,478,668)	\$ 21,398,743	30.28%	95.72%
12/31/21	0.1274%	10,267,295	20,893,243	49.14%	106.02%
12/31/20	0.1320%	8,241,913	21,278,275	38.73%	105.26%
12/31/19	0.1353%	4,361,985	21,452,657	20.33%	102.96%
12/31/18	0.1369%	(4,870,562)	20,626,021	23.61%	96.45%
12/31/17	0.1392%	4,133,959	20,227,529	20.44%	102.93%
12/31/16	0.1409%	(1,161,139)	20,088,183	5.78%	99.12%
12/31/15	0.1431%	(2,324,786)	20,151,239	11.54%	98.20%
12/31/14	0.1440%	3,538,245	19,824,482	17.85%	102.74%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\*GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

**Schedule of Employer Contributions**  
Year Ended June 30, 2023

Wisconsin Retirement System  
Last 10 Fiscal Years

Year-ended	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
06/30/23	\$ 1,429,822	\$ 1,429,822	\$ ---	\$ 21,496,451	6.65%
06/30/22	1,396,768	1,396,768	---	21,091,138	6.62%
06/30/21	1,416,970	1,416,970	---	20,992,150	6.75%
06/30/20	1,437,657	1,437,657	---	21,617,425	6.65%
06/30/19	1,390,568	1,390,568	---	20,994,148	6.62%
06/30/18	1,373,644	1,373,644	---	20,352,435	6.75%
06/30/17	1,349,462	1,349,462	---	20,137,353	6.70%
06/30/16	1,352,305	1,352,305	---	20,185,343	6.70%
06/30/15	1,382,626	1,382,626	---	20,040,790	6.90%

GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Schedule of Employer Contributions**  
Year Ended June 30, 2023

Wisconsin Retirement System  
Last 10 Fiscal Years\*

**Actuarial Determined Contributions Methods and Assumptions:**

<b>WRS Fiscal Year End</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Valuation Date</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Actuarial Cost Method	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
	Level % of Payroll-	Level % of Payroll-	Level % of Payroll-	Level % of Payroll-	Level % of Payroll-
	Closed Amortization	Closed Amortization	Closed Amortization	Closed Amortization	Closed Amortization
	Period	Period	Period	Period	Period
Amortization Method					
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	Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017	Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014
Mortality:					
Table	Wisconsin 2018 Actual WRS experience	Wisconsin 2018 Actual WRS experience	Wisconsin 2018 Actual WRS experience	Wisconsin 2012 Actual WRS experience	Wisconsin 2012 Actual WRS experience
Rate	adjustment for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	adjustment for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	adjustment for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)
<b>WRS Fiscal Year End</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	
<b>Valuation Date</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	
Actuarial Cost Method	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	
	Level % of Payroll-	Level % of Payroll-	Level % of Payroll-	Level % of Payroll-	
	Closed Amortization	Closed Amortization	Closed Amortization	Closed Amortization	
	Period	Period	Period	Period	
Amortization Method					
Amortization Period	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	
Asset Valuation Method	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	
Actuarial Assumptions Net Investment Rate of Return	5.5%	5.5%	5.5%	6%	
Weighted Based on Assumed Rate For:					
Pre-retirement	7.2%	7.2%	7.2%	7.2%	
Post-retirement	5.0%	5.0%	5.0%	5.0%	
Salary Increases:					
Wage Inflation	3.2%	3.2%	3.2%	3.2%	
Seniority/Merit	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	
Post-retirement benefit Adjustments**	2.1%	2.1%	2.1%	2.1%	
Retirement Age (Experience based table of rates that are specific to the type of eligibility condition)	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011	
Mortality:					
Table	Wisconsin 2012 Actual WRS experience	Wisconsin 2012	Wisconsin 2012	Wisconsin 2012	
Rate	adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality	

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

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Schedule of Proportionate Share of the Net OPEB - Life Insurance Liability

Year Ended June 30, 2023

Local Retiree Life Insurance Fund

Last 10 Fiscal Years\*

LRLIF Fiscal Year End Date	District's proportion of the net OPEB - life insurance liability	District's proportionate share of the net OPEB - life insurance liability	District's covered payroll	Net OPEB - life insurance liability as a percentage of employee payroll	Plan fiduciary net position as a percentage of total OPEB - life insurance liability
12/31/22	0.2553%	\$ 972,775	\$ 12,597,000	7.72%	38.81%
12/31/21	0.2609%	1,542,098	12,517,000	12.32%	29.57%
12/31/20	0.2580%	1,419,104	12,743,000	11.14%	31.36%
12/31/19	0.2494%	1,061,841	12,969,000	8.19%	37.58%
12/31/18	0.2638%	680,693	12,750,000	5.34%	48.69%
12/31/17	0.2757%	829,441	11,593,637	7.15%	44.81%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\*GASB requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

## Schedule of Contributions

Year Ended June 30, 2023

Local Retiree Life Insurance Fund

Last 10 Fiscal Years

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
06/30/23	\$ 5,123	\$ 5,123	\$ ---	\$ 12,597,000	0.04%
06/30/22	5,340	5,340	---	12,517,000	0.04%
06/30/21	5,144	5,144	---	12,743,000	0.04%
06/30/20	4,507	4,507	---	12,969,000	0.03%
06/30/19	5,082	5,082	---	12,750,000	0.04%
06/30/18	5,235	5,235	---	11,593,637	0.05%

\*GASB requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
Year Ended June 30, 2023  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 50,871	\$ 70,767	\$ 59,031	\$ 81,422	\$ 84,014	\$ 84,014
Interest	20,793	25,822	43,654	60,949	65,428	78,893
Change of benefit terms	---	---	---	(27,254)	---	---
Differences between expected and actual experiences	5,202	(61,181)	---	(285,622)	---	---
Changes of assumptions or other input	(50,121)	(25,255)	49,760	74,066	(15,508)	---
Benefit payments	(196,545)	(250,868)	(264,977)	(275,824)	(477,570)	(617,710)
<b>Net change in total OPEB liability</b>	<b>(169,800)</b>	<b>(240,715)</b>	<b>(112,532)</b>	<b>(372,263)</b>	<b>(343,636)</b>	<b>(454,803)</b>
<b>Total OPEB liability - beginning</b>	<b>996,990</b>	<b>1,237,705</b>	<b>1,350,237</b>	<b>1,722,500</b>	<b>2,066,136</b>	<b>2,520,939</b>
<b>Total OPEB liability - ending</b>	<b>\$ 827,190</b>	<b>\$ 996,990</b>	<b>\$ 1,237,705</b>	<b>\$ 1,350,237</b>	<b>\$ 1,722,500</b>	<b>\$ 2,066,136</b>
<b>Covered payroll</b>	<b>\$ 20,283,201</b>	<b>\$ 20,283,201</b>	<b>\$ 20,766,585</b>	<b>\$ 20,766,585</b>	<b>\$ 7,903,587</b>	<b>\$ 7,903,587</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>4.08%</b>	<b>4.92%</b>	<b>5.96%</b>	<b>6.50%</b>	<b>21.79%</b>	<b>26.14%</b>
<b>Measurement Date</b>	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

\*GASB requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

\*The amounts presented for each fiscal year were determined as of the measurement date.

See Independent Auditors' Report and Notes to Required Supplementary Information.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Notes to Required Supplementary Information

Year Ended June 30, 2023

### Note A - Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D. to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the difference between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	<b>General Fund</b>	<b>Special Education Fund</b>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 40,691,016	\$ 2,818,714
Reclassification of special education	2,818,714	(2,818,714)
<b>Total Revenues (GAAP)</b>	<b>43,509,730</b>	<b>---</b>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	36,536,864	6,936,964
Reclassification of special education	6,936,964	(6,936,964)
<b>Total Expenditures (GAAP)</b>	<b>43,473,828</b>	<b>---</b>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	4,154,152	(4,118,250)
Reclassification of special education	(4,118,250)	4,118,250
<b>Excess of Revenues Over (Under) Expenditures (GAAP)</b>	<b>35,902</b>	<b>---</b>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(4,118,250)	4,118,250
Reclassification of special education	4,118,250	(4,118,250)
<b>Total Other Financing Sources (Uses) (GAAP)</b>	<b>---</b>	<b>---</b>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis) (GAAP)	35,902	---
<b>Fund Balance - Beginning of Year</b>		
Actual amounts (budgetary basis) (GAAP)	15,186,251	---
<b>Fund Balance - End of Year</b>		
<b>Actual amounts (budgetary basis) (GAAP)</b>	<b>\$ 15,222,153</b>	<b>\$ ---</b>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Required Supplementary Information (Continued)**  
June 30, 2023

**Note B – Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund and special revenue fund functions had an excess of actual expenditures over budget for the year ended June 30, 2023. The excess expenditures were funded by larger than anticipated revenues and under expenditures in other areas.

<b>Fund 10:</b>	
Physical curriculum	\$ 7,845
Co-curricular activities	13,492
Debt services	1,220
Other support services	31,446
Purchased instructional services	60,077
Post-secondary scholarship	104
Other non-program transactions	18,026
<b>Fund 27:</b>	
Business administration	\$ 57,618

**Note C – WRS Information**

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

*Changes of assumptions:*

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

- Lowering the long-term expected rate of return from 7.00% to 6.80%
- Lowering the discount rate from 7.00% to 6.80%
- Lowering the price inflation rate from 2.50% to 2.40%
- Lowering the post-retirement adjustments from 1.90% to 1.70%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

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

- Lowering the long-term expected rate of return from 7.20% to 7.00%
- Lowering the discount rate from 7.20% to 7.00%
- Lowering the wage inflation rate from 3.20% to 3.00%
- Lowering the price inflation rate from 2.70% to 2.50%
- Lowering the post-retirement adjustments from 2.10% to 1.90%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Required Supplementary Information (Continued)**  
June 30, 2023

**Note D – Other Post-Employment Benefits**

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

There were no changes of benefit terms to the OPEB plan.

The following changes in actuarial assumption have been made in the years presented:

- The discount rate changed as can be seen in the following table:

<b>Year Ended June 30</b>	<b>Discount Rate</b>	<b>Assumed rate of inflation</b>
2018	3.50%	2.50%
2019	3.75%	2.50%
2020	3.50%	2.50%
2021	2.25%	2.00%
2022	2.25%	2.00%
2023	4.00%	2.50%

- Mortality assumptions for the years ended June 30, 2017 through June 30, 2019 was from the Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale multiplied 50%); for the year ended June 30, 2020 this changed to Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
- Actuarial assumptions used for the years ended June 30, 2017 through June 30, 2019 was based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14; For the year ended June 30, 2020 this changed to being based on the results of an experience conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017.

## STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

### Notes to Required Supplementary Information (Continued)

June 30, 2023

#### Note E – OPEB – Life Insurance Information

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

*Changes of assumptions:* In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three-year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB – Life Insurance 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-Life Insurance liabilities, including the following:

- Lowering the price inflation rate from 2.50% to 2.40%
- 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-Life Insurance liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.20% to 3.00%
- Lowering the price inflation rate from 2.70% to 2.50%
- 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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2023

		<b>Special Revenue Funds</b>					
		<b>Special Revenue Trust</b>	<b>Food Service</b>	<b>Package- Cooperative</b>	<b>Community Service</b>	<b>Debt Service</b>	<b>Total</b>
<b>ASSETS</b>							
Cash	\$	2,263,441	\$ 940,391	\$ ---	\$ 203,762	\$ 2,910,865	\$ 6,318,459
Investments		1,185,568	---	---	---	---	1,185,568
Accounts receivable		13,536	8,842	---	100	---	22,478
<b>Total assets</b>	<b>\$</b>	<b>3,462,545</b>	<b>\$ 949,233</b>	<b>\$ ---</b>	<b>\$ 203,862</b>	<b>\$ 2,910,865</b>	<b>\$ 7,526,505</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$	47,917	\$ 138,915	\$ ---	\$ 2,856	\$ ---	\$ 189,688
Withholdings and related district fringes payable		90	---	---	1,357	---	1,447
Accrued payroll		---	---	---	7,194	---	7,194
Unearned revenues		---	36,784	---	---	---	36,784
<b>Total liabilities</b>		<b>48,007</b>	<b>175,699</b>	<b>---</b>	<b>11,407</b>	<b>---</b>	<b>235,113</b>
<b>Fund Balances</b>							
Nonspendable		264,669	---	---	---	---	264,669
Restricted		3,149,869	773,534	---	---	2,910,865	6,834,268
Assigned		---	---	---	192,455	---	192,455
<b>Total fund balance</b>		<b>3,414,538</b>	<b>773,534</b>	<b>---</b>	<b>192,455</b>	<b>2,910,865</b>	<b>7,291,392</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>3,462,545</b>	<b>\$ 949,233</b>	<b>\$ ---</b>	<b>\$ 203,862</b>	<b>\$ 2,910,865</b>	<b>\$ 7,526,505</b>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2023

	<b>Special Revenue Funds</b>					
	<b>Special Revenue Trust</b>	<b>Food Service</b>	<b>Package- Cooperative</b>	<b>Community Service</b>	<b>Debt Service</b>	<b>Total</b>
<b>Revenues:</b>						
Local	\$ 952,568	\$ 719,636	\$ 18,900	\$ 293,562	\$ 1,448,665	\$ 3,433,331
State	---	24,700	---	---	---	24,700
Federal	---	680,533	---	---	---	680,533
Other	7,053	91	---	---	139,922	147,066
<b>Total revenues</b>	<u>959,621</u>	<u>1,424,960</u>	<u>18,900</u>	<u>293,562</u>	<u>1,588,587</u>	<u>4,285,630</u>
<b>Expenditures:</b>						
Instruction:						
Current	616,366	---	17,882	---	---	634,248
Capital outlay	8,000	---	---	---	---	8,000
Support Services:						
Current	147,652	1,405,480	1,018	267,421	---	1,821,571
Capital outlay	1,784,621	---	---	---	---	1,784,621
Debt service	---	---	---	---	1,892,126	1,892,126
<b>Total expenditures</b>	<u>2,556,639</u>	<u>1,405,480</u>	<u>18,900</u>	<u>267,421</u>	<u>1,892,126</u>	<u>6,140,566</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,597,018)	19,480	---	26,141	(303,539)	(1,854,936)
<b>Other Financing Sources (uses):</b>						
Premium on debt issued	---	---	---	---	2,644,605	2,644,605
<b>Total other financing sources</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,644,605</u>	<u>2,644,605</u>
<b>Net change in fund balances</b>	(1,597,018)	19,480	---	26,141	2,341,066	789,669
<b>Fund Balances - Beginning of year</b>	4,893,067	754,054	---	166,314	569,799	6,383,234
Prior period adjustment	118,489	---	---	---	---	118,489
<b>Fund Balances - Beginning of year, as adjusted</b>	<u>5,011,556</u>	<u>754,054</u>	<u>---</u>	<u>166,314</u>	<u>569,799</u>	<u>6,501,723</u>
<b>Fund Balances - End of year</b>	<u>\$ 3,414,538</u>	<u>\$ 773,534</u>	<u>\$ ---</u>	<u>\$ 192,455</u>	<u>\$ 2,910,865</u>	<u>\$ 7,291,392</u>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Expenditures of State Awards**  
Year Ended June 30, 2023

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>State I.D. Number</b>	<b>Passthrough Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/22</b>	<b>Receipts</b>	<b>State Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/23</b>	<b>Subrecipient Awards</b>
<b>Wisconsin Department of Public Instruction</b>							
Special Education and School-Age Parents **	255.101	135621-100	\$ ---	\$ 1,810,932	\$ 1,810,932	\$ ---	\$ ---
State School Lunch Aid	255.102	135621-107	---	9,847	9,847	---	---
Common School Fund Library Aid	255.103	135621-104	(735)	156,228	156,963	---	---
Pupil Transportation	255.107	135621-102	---	35,049	35,049	---	---
Wisconsin School Day Milk Program	255.115	135621-109	---	8,972	8,972	---	---
General Aids Cluster:							
Equalization Aids	255.201	135621-116	---	11,291,447	11,291,447	---	---
High Cost Special Education	255.210	135621-119	---	215,879	215,879	---	---
Aid for School Mental Health Programs	255.227	135621-176	55,232	141,534	86,302	---	---
Passed through Oregon School District							
Peer Review and Mentoring	255.301	134144-141	1,840	1,840	---	---	---
School Breakfast Program	255.344	135621-108	---	5,881	5,881	---	---
Early College Credit Program	255.445	135621-178	---	174	174	---	---
Educator Effectiveness Evaluation System Grant	255.940	135621-154	---	22,880	22,880	---	---
Per Pupil Aid	255.945	135621-113	---	2,085,762	2,085,762	---	---
Career and Technical Education Incentive Grant	255.950	135621-152	13,503	22,674	9,171	---	---
Assessments for Reading Readiness	255.956	135621-166	---	8,048	8,048	---	---
Aid for Special Education Transition Grant BBL	255.960	135621-168	---	15,287	15,287	---	---
<b>Total Wisconsin Department of Public Instruction</b>			69,840	15,832,434	15,762,594	---	---
<b>Wisconsin Department of Justice</b>							
Digital Mapping Grant	100.206	N/A	---	9,367	18,735	9,368	---
<b>Total</b>			\$ 69,840	\$ 15,841,801	\$ 15,781,329	\$ 9,368	\$ ---

\*\* Total DPI aidable expenditures for the year ended June 30, 2023 were \$6,122,469.

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2023

<b>Awarding Agency</b> <b>Pass-Through Agency</b> <b>Award Description</b>	<b>Federal Assistance Listing Number</b>	<b>Passthrough Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/22</b>	<b>Receipts</b>	<b>Federal Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/23</b>	<b>Subrecipient Awards</b>
<b>U.S. Department of Agriculture</b>							
<i>Child Nutrition Cluster:</i>							
Passed through Wisconsin Department of Public Instruction:							
Food Service Aid - Breakfast	10.553	2023-135621-DPI-SB-546	\$ 12,470	\$ 108,418	\$ 95,948	\$ ---	\$ ---
Donated Commodities - Noncash	10.555	N/A	---	103,761	103,761	---	---
Food Service Aid - Lunch	10.555	2023-135621-DPI-NSL-547	40,542	521,366	480,824	---	---
<i>Subtotal for Federal Assistance Listing 10.555</i>			40,542	625,127	584,585	---	---
<b>Total Child Nutrition Cluster and U.S. Department of Agriculture</b>			53,012	733,545	680,533	---	---
<b>U.S. Department of Justice</b>							
Public Safety Partnership and Community Policing Grants	16.710	N/A	15,730	94,721	162,506	83,515	---
<b>Total U.S. Department of Justice</b>			15,730	94,721	162,506	83,515	---
<b>Department of Treasury</b>							
Passed through Dane County:							
COVID-19 Coronavirus State and Local Fiscal Recovery	21.027	N/A	---	15,341	67,934	52,593	---
<b>Total Department of Treasury</b>			---	15,341	67,934	52,593	---
<b>Federal Communication Commission</b>							
COVID-19 Emergency Connectivity Fund	32.009	N/A	37,850	46,285	8,435	---	---
<b>U.S. Department of Education</b>							
Passed through Wisconsin Department of Public Instruction:							
ESEA Title IA Basic	84.010A	2023-135621-DPI-TI-A-141	86,599	265,590	268,526	89,535	---
<i>Special Education Cluster:</i>							
IDEA Flow Through	84.027A	2023-135621-DPI-FLOW-341	199,485	710,153	727,096	216,428	---
IDEA Preschool Entitlement	84.173A	2023-135621-DPI-PRESCH-347	6,849	41,428	42,134	7,555	---
COVID-19 IDEA Preschool Entitlement	84.173A	2023-135621-DPI-PRESCH-346	2,275	2,275	---	---	---
<i>Subtotal for IDEA Preschool Entitlement</i>			9,124	43,703	42,134	7,555	---
<b>Total Special Education Cluster</b>			208,609	753,856	769,230	223,983	---
Passed through Oregon School District:							
Carl Perkins Grant	84.048	2023-134144-DPI-CTE-400	---	21,403	21,403	---	---
ESEA Title III-A English Language Acquisition Grants	84.365A	2023-135621-DPI-TIIIA-391	10,479	20,981	18,384	7,882	---
ESEA Title II-A Teacher Principal Training	84.367A	2023-135621-DPI-TIIA-365	19,784	66,579	56,471	9,676	---
Title IV-A Student and Academic Enrichment Grants	84.424A	2023-135621-DPI-TIVA-381	3,057	10,359	23,838	16,536	---
Education Stabilization Funds:							
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	2022-135621-DPI-ESSERFII-163	---	1,019,686	1,217,649	197,963	---
COVID-19 ARPA Homeless Children and Youth	84.425W	2022-135621-DPIARPHYII-173	---	13,673	13,673	---	---
<b>Total Education Stabilization Funds</b>			---	1,033,359	1,231,322	197,963	---
<b>Total U.S. Department of Education</b>			328,528	2,172,127	2,389,174	545,575	---
<b>U.S. Department of Health and Human Services</b>							
<i>Medicaid Cluster:</i>							
Passed through Wisconsin Department of Health Services:							
Medical Assistance Program	93.778	44211300	31,654	312,459	285,419	4,614	---
<b>Total</b>			\$ 466,774	\$ 3,374,478	\$ 3,594,001	\$ 686,297	\$ ---

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Schedules of Expenditures of State and Federal Awards**  
June 30, 2023

**1. Basis of Presentation**

The accompanying schedule of expenditures of state and federal awards (the Schedules) includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2023. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the net financial position, changes in fund balance or cash flows of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and as applicable, the cost principles contained in the *Wisconsin State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The District did not use the 10% de minimis indirect cost rate as allowed by the Uniform Guidance.

**4. Noncash Awards**

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2023.



**INDEPENDENT AUDITORS' 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 District Board  
Stoughton Area School District  
Stoughton, Wisconsin

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stoughton Area School District (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 11, 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 the 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 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 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

## Report on Compliance and Other Matters

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

## Purpose of this Report

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

*Rilly, Pennix & Benton LLP*

December 11, 2023  
Milwaukee, Wisconsin



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE AND THE WISCONSIN STATE SINGLE AUDIT GUIDELINES**

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

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

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

We have audited the Stoughton Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Wisconsin State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2023. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

***Responsibilities of Management for Compliance***

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

## ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state programs on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness, 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 Auditors' Responsibilities for the Audit of Compliance section 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.

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

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

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

*Riley, Pennie & Benton LLP*

December 11, 2023  
Milwaukee, Wisconsin

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Prior Audit Findings**

June 30, 2023

**Finding 2022-001 Medicaid Bus Logs**

Program Name: Medicaid Cluster

Criteria: The District must report the total one-way trips for IEP transportation on a cost report filed with the grantor. Districts must have an ongoing program with sufficient internal controls to identify total one-way student trips for reporting specialized transportation.

Condition: The District uses bus logs to document the one-way trips for IEP transportation. However, for 2 of students in our sample of 5 had bus logs that did not agree with the District's backup for the total one-way trips.

Current Status: The District ensured that the one-way trips ratio that was reported accurately reflected the bus logs.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2023

**Section I. Summary of Auditors' Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of report the auditors' issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 3. Noncompliance material to financial statements noted?  | No         |

**Federal Awards**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 5. Type of auditors' report issued on compliance for major programs:                                  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |
| 7. Identification of major federal programs:  |            |
| <i>Special Education Cluster:</i>   |            |
| 84.027A – IDEA Flow Through   |            |
| 84.173A – IDEA Preschool Entitlement  |            |
| <i>Equalization Stabilization Funds:</i>  |            |
| 84.425D – COVID-19 Elementary and Secondary School Emergency Relief Fund II                           |            |
| 84.425W – COVID-19 ARPA Homeless Children and Youth   |            |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$ 750,000 |
| 9. Auditee qualified as low-risk auditee?   | Yes        |

**State Awards**

- |  |            |
|--|------------|
| 10. Internal control over major programs:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified?                                      | None noted |
| 11. Type of auditors' report issued on compliance for major programs:        | Unmodified |
| 12. Any audit findings that are required to be reported?                     | No         |
| 13. Identification of major state programs:                                  |            |
| 255.945 – Per Pupil Aid  |            |
| <i>General Aids Cluster:</i>   |            |
| 255.201 – Equalization Aid   |            |
| 14. Dollar threshold used to distinguish between type A and type B programs: | \$ 250,000 |

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs (Continued)**

Year Ended June 30, 2023

**Section II. Financial Statement Findings**

None

**Section III. Federal and State Award Findings and Questioned Costs**

None

**Section IV. Other Issues**

1. Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Wisconsin State Single Audit Guidelines*:

Department of Public Instruction

No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner

Katherine E Hoffman  
Katherine E. Hoffman

5. Date of Report

December 11, 2023