

**APPLETON AREA SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Appleton Area School District  
Appleton, 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 Appleton Area School District, Appleton, Wisconsin (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 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules relating to pensions and other postemployment benefits 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 GAAS, 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 combining nonmajor governmental fund financial statements, schedule of charter school authorizer costs, schedule of expenditures of federal awards and schedule of expenditures of state 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 *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, 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 GAAS. In our opinion, the combining nonmajor governmental fund financial statements, schedule of charter school authorizer costs, schedule of expenditures of federal awards, and 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 13, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
December 13, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

The management of the Appleton Area School District offers readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. Readers should consider the information presented in the Management Discussion and Analysis in conjunction with the basic financial statements and the notes to the financial statements, which follow this narrative.

### **Financial Highlights**

- Additional revenues for the District were gained in interest income for the year as interest rates were significantly higher than the previous year and what was budgeted.
- Savings were accrued in staffing during the 2022-23 school year in all areas due to challenges in filling many teaching, support positions and substitute positions.
- The prior change in health insurance again resulted in cost savings for the District. Additionally, the District moved to self-funding for the employee health insurance as of January 1, 2023. With this change being mid fiscal year there was significant savings in health costs due to timing of claims. The funds saved were directed to compensation increases for all staff members.
- We continued to utilize the ESSER grant funds for program specific functions.
  - Fund Balance in the general fund increased by \$2,955,589.
  - The District issued new debt for various capital projects of approximately \$90 million in response for the successful referendum during 2022-23 school year.

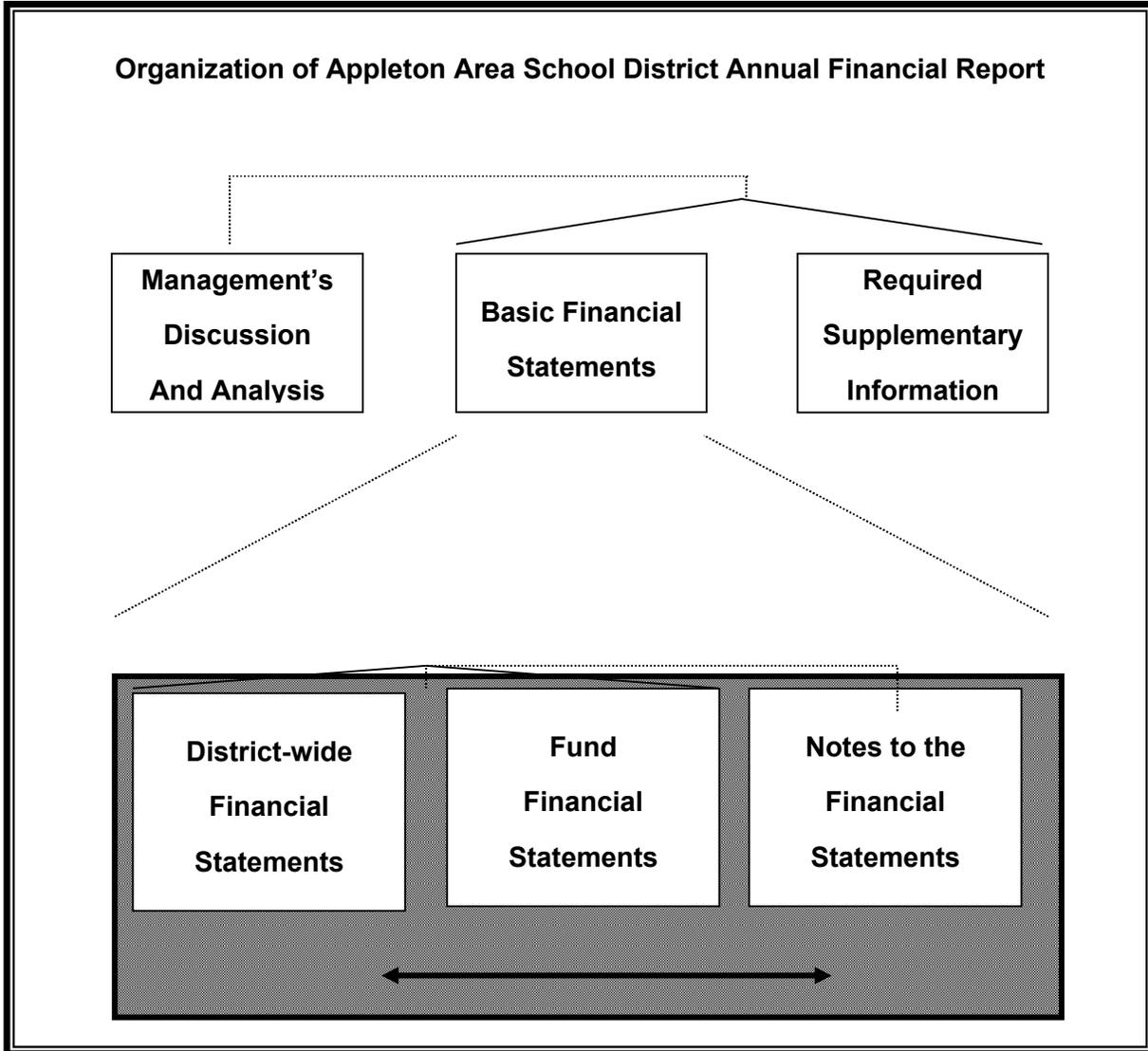
### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The basic financial statements include two types of statements that present different financial perspectives of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The following chart shows how the parts of this annual report are arranged and relate to one another.

APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023



**APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**District-wide Statements**

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the related cash is received or paid.

- The district-wide statements report the district's net position and how it has changed. Governmental activities are financed mostly with property taxes and state formula aid. The net position, which is the difference between district assets and deferred outflows of resources compared to liabilities and deferred inflows, is one way to measure the districts' financial position.
- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or declining, respectively.
- To assess the districts overall financial position, you also need to consider additional nonfinancial factors such as changes in the property tax base and condition of school district facilities.

**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 specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

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 spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Fiduciary funds:** The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 balances</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>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/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 short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Out flow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	ALL ADDITIONS AND DEDUCTIONS DURING THE YEAR, REGARDLESS OF WHEN CASH IS RECEIVED OR PAID





**APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

- The users of the district's programs financed some of the cost. (7.1%).
- Certain programs were subsidized with grants and contributions from the federal and state governments (16.5%) of total budget was grant funded.
- The remaining portion of governmental activities was financed with \$74,490,616 in property taxes and \$111,053,226 of unrestricted state aid based on the statewide equalization aid formula.

**Financial Analysis of the District's Funds**

The strong financial status of the district as a whole is reflected in its general fund balance of \$62,538,829 which is included in the total fund balance of all governmental funds of \$175,326,450.

**General Fund Budgetary Highlights**

2022-2023 fiscal year included the following:

- Second year of the biennial State budget
  - No change in revenue limit
  - State aid and tax levy up slightly from the prior year
- Increase in levy for private vouchers
- Increase in interest income over prior year and over budgeted amount
- ESSER related expenses totaling \$6.8 million
- Compensation increases totaling \$3.7 million
- Health insurance savings totaling \$1.9 million compared to budget

**APPLETON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023**

**Capital Asset and Debt Administration**

**Capital Assets.** By the end of the 2022-2023 fiscal year, the district had invested in a broad range of capital assets including land, buildings, athletic facilities, computer and audio-visual equipment, and other instructional or support equipment. (More detailed information about capital assets can be found in Note 2.B to the financial statements.) Total depreciation expense for the year for governmental activities was \$9,240,911, of which \$3,187,696 relates to amortization of right-to-use assets accounted for in accordance with GASB Statement 87.

**Figure A-3  
Capital Assets**

	2023 Governmental Activities	2022 Governmental Activities
Construction Work in Progress	\$ 5,698,589	\$ 2,236,132
Land	7,840,341	7,840,341
Buildings and Improvements	159,447,994	155,627,601
Machinery and Equipment	14,206,260	13,637,216
Right-to-Use Assets (Implemented GASB 87 Effective July 1, 2021)	13,269,054	6,884,898
Accumulated Depreciation	<u>(105,636,528)</u>	<u>(96,395,617)</u>
Total	<u>\$ 94,825,710</u>	<u>\$ 89,830,571</u>

**Long-Term Obligations**

At year-end, the District had \$75,202,000 in general obligation bonds and notes as well as \$7,355,409 in lease liabilities, and \$10,256,799 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the District's long-term liabilities is presented in Note 2.D to the financial statements.)

**Figure A-4  
Outstanding Long-Term Obligations**

	2023 Total District	2022 Total District
General Obligation Debt	\$ 75,202,000	\$ 6,360,000
Lease Liabilities (Implemented GASB 87 Effective July 1, 2021)	7,355,409	3,406,017
Other	10,256,799	1,357,445
Total	<u>\$ 92,814,208</u>	<u>\$ 11,123,462</u>

**Contacting the District's Financial Management**

The financial report is designed to provide the District's citizens, taxpayers, customers, and 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 the Business Office of the Appleton Area School District at 131 E. Washington Street, Suite 1A, Appleton, WI or by calling (920) 832-6128.

## **BASIC FINANCIAL STATEMENTS**

**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 178,233,138
Receivables:	
Taxes	15,032,075
Accounts	362,141
Leases	338,059
Due from Other Governments	9,468,085
Inventories and Prepaid Items	209,348
Capital Assets:	
Nondepreciable	13,538,930
Depreciable/Amortizable, Net	81,286,780
Total Assets	298,468,556
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Advance Refunding	171,031
Pension Related Amounts	111,035,793
Other Postemployment Related Amounts	7,657,651
Total Deferred Outflows of Resources	118,864,475
<b>LIABILITIES</b>	
Accounts Payable	3,926,458
Accrued and Other Current Liabilities	20,403,731
Accrued Interest Payable	1,355,267
Unearned Revenues	12,135
Deposits Payable	126,668
Health and Dental Claims Payable	3,509,345
Long-Term Obligations:	
Due in One Year	12,860,114
Due in More Than One Year	79,954,094
Due in One Year - Other Postemployment Benefits Liability	2,814,643
Due in More than One Year - Other Postemployment Benefits Liability	5,982,766
Net Pension Liability	30,655,869
Total Liabilities	161,601,090
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related Amounts	64,277,814
Other Postemployment Related Amounts	6,881,184
Leases	338,059
Total Deferred Inflows of Resources	71,497,057
<b>NET POSITION</b>	
Net Investment in Capital Assets	72,886,714
Restricted:	
Donations	3,837,509
Food Service	6,599,998
Community Service	605,669
Debt Service	4,080,069
Capital Projects	26,730,503
Unrestricted	69,494,422
Total Net Position	\$ 184,234,884

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 126,013,264	\$ 15,656,013	\$ 20,628,792	\$ (89,728,459)
Support Services	84,045,166	1,427,048	17,170,673	(65,447,445)
Community Services	2,555,030	6,600	-	(2,548,430)
Nonprogram	15,621,693	1,821	1,812,698	(13,807,174)
Interest and Fiscal Charges	2,888,399	-	-	(2,888,399)
Depreciation/Amortization - Unallocated	9,240,911	-	-	(9,240,911)
<b>Total Governmental Activities</b>	<b><u>\$ 240,364,463</u></b>	<b><u>\$ 17,091,482</u></b>	<b><u>\$ 39,612,163</u></b>	<b>(183,660,818)</b>
<b>GENERAL REVENUES</b>				
Property Taxes				74,490,616
Other Taxes				70,424
State and Federal Aids Not Restricted to Specific Functions				111,053,226
Interest and Investment Earnings				2,910,109
Gain on Disposal of Capital Assets				17,545
Gifts and Donations				4,319,152
Miscellaneous				1,010,204
<b>Total General Revenues</b>				<b><u>193,871,276</u></b>
<b>CHANGE IN NET POSITION</b>				<b>10,210,458</b>
Net Position - Beginning of Year				<u>174,024,426</u>
<b>NET POSITION - END OF YEAR</b>				<b><u>\$ 184,234,884</u></b>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2023**

<b>ASSETS</b>	General	Referendum Debt Service	Capital Projects
Cash and Investments	\$ 74,496,429	\$ 5,437,787	\$ 89,817,456
Receivables:			
Taxes	15,032,075	-	-
Accounts	358,736	-	-
Leases	338,059	-	-
Due from Other Funds	-	-	-
Due from Other Governments	9,333,314	-	-
Inventories and Prepaid Items	209,348	-	-
 Total Assets	 \$ 99,767,961	 \$ 5,437,787	 \$ 89,817,456
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,171,748	\$ -	\$ 908,305
Accrued and Other Current Liabilities	20,394,405	-	-
Due to Other Funds	10,803,440	2,451	641,276
Unearned Revenues	12,135	-	-
Deposits Payable	-	-	-
Dental Claims Payable	3,509,345	-	-
Total Liabilities	36,891,073	2,451	1,549,581
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	338,059	-	-
 <b>FUND BALANCES</b>			
Nonspendable	209,348	-	-
Restricted	-	5,435,336	88,267,875
Assigned	40,476,498	-	-
Unassigned	21,852,983	-	-
Total Fund Balances	62,538,829	5,435,336	88,267,875
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 99,767,961	 \$ 5,437,787	 \$ 89,817,456

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2023**

<b>ASSETS</b>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash and Investments	\$ 8,481,466	\$ 178,233,138
Receivables:		
Taxes	-	15,032,075
Accounts	3,405	362,141
Leases	-	338,059
Due from Other Funds	11,514,772	11,514,772
Due from Other Governments	134,771	9,468,085
Inventories and Prepaid Items	-	209,348
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 20,134,414</u>	<u>\$ 215,157,618</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 846,405	\$ 3,926,458
Accrued and Other Current Liabilities	9,326	20,403,731
Due to Other Funds	67,605	11,514,772
Unearned Revenues	-	12,135
Deposits Payable	126,668	126,668
Dental Claims Payable	-	3,509,345
Total Liabilities	<u>1,050,004</u>	<u>39,493,109</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Leases	-	338,059
<b>FUND BALANCES</b>		
Nonspendable	34,345	243,693
Restricted	19,050,065	112,753,276
Assigned	-	40,476,498
Unassigned	-	21,852,983
Total Fund Balances	<u>19,084,410</u>	<u>175,326,450</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,134,414</u>	<u>\$ 215,157,618</u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total Fund Balances as Shown on Previous Page \$ 175,326,450

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 94,825,710

Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.

Loss on Advance Refunding	171,031
Deferred Outflows Related to Pensions	111,035,793
Deferred Inflows Related to Pensions	(64,277,814)
Deferred Outflows Related to Other Postemployment Benefits	7,657,651
Deferred Inflows Related to Other Postemployment Benefits	(6,881,184)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and Notes Payable	(75,201,999)
Lease Liability	(7,355,409)
Premium on Debt	(9,131,224)
Compensated Absences	(1,125,576)
Other Postemployment Benefits Liability	(8,797,409)
Net Pension Liability	(30,655,869)
Accrued Interest on Long-Term Obligations	<u>(1,355,267)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 184,234,884</u></u>
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**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

	General	Referendum Debt Service	Capital Projects
<b>REVENUES</b>			
Property Taxes	\$ 54,353,648	\$ 15,132,252	\$ -
Other Local Sources	2,920,848	436,748	1,249,214
Interdistrict Sources	14,741,510	-	-
Intermediate Sources	43,118	-	-
State Sources	124,081,319	-	-
Federal Sources	19,304,016	-	-
Other Sources	716,096	-	346,930
	<u>216,160,555</u>	<u>15,569,000</u>	<u>1,596,144</u>
Total Revenues	216,160,555	15,569,000	1,596,144
<b>EXPENDITURES</b>			
Instruction:			
Regular Instruction	71,588,126	-	-
Vocational Instruction	3,913,581	-	-
Special Education Instruction	29,557,190	-	-
Other Instruction	13,320,348	-	-
Total Instruction	<u>118,379,245</u>	<u>-</u>	<u>-</u>
Support Services:			
Pupil Services	13,549,613	-	-
Instructional Staff Services	12,941,618	-	-
General Administration Services	1,022,868	-	-
School Administration Services	10,134,075	-	-
Business Services	932,683	-	-
Operations and Maintenance of Plant	22,610,515	-	3,316,817
Pupil Transportation Services	6,443,542	-	-
Food Services	-	-	-
Central Services	7,900,484	-	-
Insurance	976,087	-	-
Other Support Services	6,532,164	-	-
Total Support Services	<u>83,043,649</u>	<u>-</u>	<u>3,316,817</u>
Debt Service:			
Principal	2,434,763	1,908,000	-
Interest and Fiscal Charges	135,579	1,872,294	11,452
Total Debt Service	<u>2,570,342</u>	<u>3,780,294</u>	<u>11,452</u>
Community Service	-	-	-
Nonprogram:			
General Tuition Payments	8,404,356	-	-
Special Education Tuition Payments	1,321,037	-	-
Adjustments and Refunds	332,958	-	-
Voucher Payments	5,555,080	-	-
Total Nonprogram	<u>15,613,431</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>219,606,667</u>	<u>3,780,294</u>	<u>3,328,269</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(3,446,112)	11,788,706	(1,732,125)
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	-	70,750,000	90,000,000
Proceeds from Right-to-Use Leases	6,384,156	-	-
Premium on Bonds Issued	-	9,331,924	-
Payment on Bond Anticipation Notes	-	(90,000,000)	-
Proceeds from Sale of Capital Assets	17,545	-	-
	<u>6,401,701</u>	<u>(9,918,076)</u>	<u>90,000,000</u>
Total Other Financing Sources (Uses)	6,401,701	(9,918,076)	90,000,000
<b>NET CHANGES IN FUND BALANCES</b>	2,955,589	1,870,630	88,267,875
Fund Balances - Beginning of Year	<u>59,583,240</u>	<u>3,564,706</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 62,538,829</u>	<u>\$ 5,435,336</u>	<u>\$ 88,267,875</u>

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

	Other Governmental Funds	Total
	\$ 5,075,140	\$ 74,561,040
<b>REVENUES</b>	4,849,839	9,456,649
Property Taxes	-	14,741,510
Other Local Sources	-	43,118
Interdistrict Sources	105,152	124,186,471
Intermediate Sources	6,365,844	25,669,860
State Sources	833,986	1,897,012
Federal Sources		
Other Sources	17,229,961	250,555,660
Total Revenues		
<b>EXPENDITURES</b>	372,963	71,961,089
Instruction:	5,771	3,919,352
Regular Instruction	-	29,557,190
Vocational Instruction	1,586,110	14,906,458
Special Education Instruction	1,964,844	120,344,089
Other Instruction		
Total Instruction	130,458	13,680,071
Support Services:	78,380	13,019,998
Pupil Services	2,215	1,025,083
Instructional Staff Services	1,248,411	11,382,486
General Administration Services	-	932,683
School Administration Services	1,720,564	27,647,896
Business Services	584,367	7,027,909
Operations and Maintenance of Plant	8,448,984	8,448,984
Pupil Transportation Services	81,179	7,981,663
Food Services	-	976,087
Central Services	-	6,532,164
Insurance	12,294,558	98,655,024
Other Support Services		
Total Support Services		
Debt Service:	1,719	4,344,482
Principal	-	2,019,325
Interest and Fiscal Charges	1,719	6,363,807
Total Debt Service	1,464,307	1,464,307
Community Service		
Nonprogram:	-	8,404,356
General Tuition Payments	-	1,321,037
Special Education Tuition Payments	-	332,958
Adjustments and Refunds	-	5,555,080
Voucher Payments	-	15,613,431
Total Nonprogram	15,725,428	242,440,658
Total Expenditures		
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,504,533	8,115,002
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	-	160,750,000
Proceeds from Right-to-Use Leases	-	6,384,156
Premium on Bonds Issued	-	9,331,924
Payment on Bond Anticipation Notes	-	(90,000,000)
Proceeds from Sale of Capital Assets	-	17,545
Total Other Financing Sources (Uses)	-	86,483,625
<b>NET CHANGES IN FUND BALANCES</b>	1,504,533	94,598,627
Fund Balances - Beginning of Year	17,579,877	80,727,823
<b>FUND BALANCES - END OF YEAR</b>	\$ 19,084,410	\$ 175,326,450

See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances as Shown on Previous Page \$ 94,598,627

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements	14,236,050
Depreciation/Amortization Expense Reported in the Statement of Activities	(9,240,911)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds Issued	(70,750,000)
Leases Issued	(6,384,155)
Premium on Bonds Issued	(9,131,224)
Principal Payments on Bonds	1,908,000
Principal Payments on Leases	2,434,763

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued Interest on Long-Term Debt	(1,142,560)
Amortization of Loss on Advance Refunding	(71,123)
Compensated Absences	231,870
Net Pension Liability	(78,572,804)
Deferred Outflows of Resources Related to Pensions	21,204,187
Deferred Inflows of Resources Related to Pensions	48,720,440
Other Postemployment Benefits	866,540
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,348,848
Deferred Inflows of Resources Related to Other Postemployment Benefits	(46,090)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities	<u>\$ 10,210,458</u>
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See accompanying Notes to Basic Financial Statements.

**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION — PRIVATE PURPOSE TRUST FUND  
JUNE 30, 2023**

**ASSETS**

Cash and Investments	\$ 312,166
Accounts Receivable	<u>1,263</u>
Total Assets	<u>313,429</u>

**LIABILITIES**

Due to Primary Government	<u>-</u>
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**NET POSITION**

Nonspendable	272,372
Restricted for Scholarships	<u>41,057</u>
Total Net Position	<u><u>\$ 313,429</u></u>

*See accompanying Notes to Basic Financial Statements.*

**APPLETON AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2023**

<b>ADDITIONS</b>	
Investment Earnings	\$ 1,019
<b>DEDUCTIONS</b>	
Trust Fund Disbursements	<u>5,025</u>
<b>CHANGE IN NET POSITION</b>	(3,286)
Net Position - Beginning of Year	<u>316,715</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 313,429</u></u>

*See accompanying Notes to Basic Financial Statements.*

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District is organized as a unified school district. The District, governed by an elected seven-member board, operates grades K through 12 and is comprised of all or parts of seven taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

**General Fund**

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Referendum Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

**Capital Projects Fund**

The Capital Projects Fund accounts for the acquisition and construction of the District's major capital facilities and equipment.

Additionally, the District reports the following fiduciary fund type:

- The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.

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

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Funds** — Financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs (compensated absences) and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

**1. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**2. Property Taxes**

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

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for nonpayment of a scheduled installment, and full receipt of the entire levy is assured within 60 days of fiscal year-end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

**3. Accounts Receivable**

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**5. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**6. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefitted.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**7. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities</u>
Land Improvements	20 to 50 Years
Buildings and Improvements	20 to 50 Years
Machinery and Equipment	5 to 20 Years

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**8. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

**9. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

**10. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Leases**

The District is a lessee and lessor for various pieces of equipment and space usage.

Lessee

The District recognizes a lease liability and an intangible right-to-use lease asset in the district-wide financial statements based on the criteria dictated in GASB Statement No. 87, *Leases*.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**11. Leases (Continued)**

*Lessee (Continued)*

At the commencement of a lease, the District determines based on the criteria dictated in GASB Statement No. 87, *Leases*, if the lease is a financed purchased or a lease liability. Then the District initially measures the lease liability at the present value of payments expected to be made during the lease term.

Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease liabilities are reported with the long-term obligations on the statement of net position.

An intangible right-to use lease asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible right-to use lease asset is amortized on a straight-line basis over the life of the lease. The intangible right-to use lease asset is reported with the District capital assets in its own category called Leased Assets (Right to Use).

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The District monitors changes in circumstances that would require a re-measurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**11. Leases (Continued)**

Lessor

The District determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position and fund financial statements.

Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

The District recognizes payments received for short-term leases with a lease term of 12 months or less, including options to extend, as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the District has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**12. 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.

**13. Other Postemployment Benefits Other Than Pensions (OPEB)**

Qualifying retired employees are provided with other postemployment benefits. The OPEB is a single-employer defined benefit plan administered by the District. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**14. Deferred Compensation Plan**

The District offers its employees a deferred compensation plan through the Wisconsin Deferred Compensation Program created in accordance with the Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to this plan are entirely from employee voluntary contributions. The District makes no employer contributions to this plan.

**15. Fund Equity**

**Governmental Fund Financial Statements**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable Fund Balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

**Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

**Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.

**Assigned Fund Balance.** Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized a specific employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

**Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**15. Fund Equity (Continued)**

**District-Wide Statements**

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

**Net Investment in Capital Assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

**Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

**Unrestricted Net Position.** Net position that is neither classified as restricted nor as net investment in capital assets.

**E. Use of Estimates**

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

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$178,545,304 on June 30, 2023 as summarized below:

Petty Cash and Cash on Hand	\$ 8,815
Deposits with Financial Institutions	114,266,819
Investments:	
Wisconsin Investment Series Cooperative	64,269,670
Total	<u>\$ 178,545,304</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 178,233,138
Fiduciary Fund Statement of Net Position:	
Private Purpose Trust Fund	312,166
Total	<u>\$ 178,545,304</u>

**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has the following that are subject to fair value measurements as of June 30, 2023:

	<u>Fair Value Measurements Using:</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Wisconsin Investment Series Cooperative:			
U.S. Treasury securities	<u>\$ 21,128,029</u>	<u>\$ -</u>	<u>\$ -</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2023, \$36,054,888 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

Presented below is the actual rating as of the year-end for each investment type.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Credit Risk (Continued)**

Presented below is the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Wisconsin Investment Series Cooperative:					
U.S. Treasuries	\$ 21,128,029	\$ -	\$ -	\$ -	\$ 21,128,029
Cash Management Series	17,379,310	-	17,379,310	-	-
Investment Series	25,762,331	-	25,762,331	-	-
Totals	<u>\$ 64,269,670</u>	<u>\$ -</u>	<u>\$ 43,141,641</u>	<u>\$ -</u>	<u>\$ 21,128,029</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At June 30, 2023, the District had no investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of total District investments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Wisconsin Investment Series Cooperative:					
U.S. Treasuries	\$ 21,128,029	\$ 21,128,029	\$ -	\$ -	\$ -
Cash Management Series	17,379,310	17,379,310	-	-	-
Investment Series	25,762,331	25,762,331	-	-	-
Totals	<u>\$ 64,269,670</u>	<u>\$ 64,269,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

**Investment in Wisconsin Investment Series Cooperative**

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$125,303,608 at year-end consisting of \$61,033,937 of deposits with financial institutions, \$17,729,310 in Cash Management Series, \$25,762,331 in Investment Series, and \$21,128,029 in U.S. Treasuries. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is 90 days or less. The Investment Series requires a 14-day minimum investment period and one business day withdrawal notice, and the average weighted maturity is 120 days or less.

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 International Cooperate Statute, Wisconsin Statute, Section 66.031. 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. WISC investments are valued at amortized cost, which approximates market value.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Nondepreciable:				
Land	\$ 7,840,341	\$ -	\$ -	\$ 7,840,341
Construction in Progress	2,236,132	5,126,089	1,663,632	5,698,589
Total Capital Assets, Nondepreciable	<u>10,076,473</u>	<u>5,126,089</u>	<u>1,663,632</u>	<u>13,538,930</u>
Capital Assets, Depreciable/Amortizable:				
Land Improvements	9,019,239	409,455	-	9,428,694
Buildings and Improvements	146,608,362	3,410,938	-	150,019,300
Machinery and Equipment	13,637,216	569,044	-	14,206,260
Right-to-Use Assets	6,884,898	6,384,156	-	13,269,054
Subtotals	<u>176,149,715</u>	<u>10,773,593</u>	<u>-</u>	<u>186,923,308</u>
Less Accumulated Depreciation/Amortization for:				
Land Improvements	4,112,878	439,918	-	4,552,796
Buildings and Improvements	81,729,365	3,810,876	-	85,540,241
Machinery and Equipment	8,316,641	1,802,421	-	10,119,062
Right-to-Use Assets	2,236,733	3,187,696	-	5,424,429
Subtotals	<u>96,395,617</u>	<u>9,240,911</u>	<u>-</u>	<u>105,636,528</u>
Total Capital Assets, Depreciable/Amortizable, Net	<u>79,754,098</u>	<u>1,532,682</u>	<u>-</u>	<u>81,286,780</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,830,571</u>	<u>\$ 6,658,771</u>	<u>\$ 1,663,632</u>	94,825,710
Less: Capital Related Debt, Less Unspent Bond Proceeds				(4,452,000)
Less: Debt Premium				(9,131,224)
Less: Construction Related Accounts Payable				(1,171,394)
Less: Lease Liabilities				(7,355,409)
Add: Loss on Advance Refunding (Capital Related Portion)				<u>171,031</u>
Net Investment in Capital Assets				<u>\$ 72,886,714</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation/amortization expense.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Interfund Receivables and Payables**

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2023 are detailed below:

	Interfund Receivables	Interfund Payables
To Account for Expenditures Paid and Receipts		
Received by Other Funds:		
Governmental Funds:		
General	\$ -	\$ 10,803,440
Special Revenue Funds:		
Donations	1,182,721	3,000
Indian Education	-	14,605
Food Service	4,944,919	-
General Community Service	1,225,723	-
Debt Service Funds:		
Referendum	-	2,451
Capital Project Funds:		
Other Capital Projects	-	641,276
Capital Expansion	4,161,409	50,000
Totals	\$ 11,514,772	\$ 11,514,772

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**D. Long-Term Obligations**

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2023:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Debt:					
Bonds	\$ 6,360,000	\$ 70,750,000	\$ 1,908,000	\$ 75,202,000	\$ 10,227,000
Lease Liabilities	3,406,017	6,384,155	2,434,763	7,355,409	2,407,866
Total General Obligation Debt	9,766,017	77,134,155	4,342,763	82,557,409	12,634,866
Bond Anticipation Notes	-	90,000,000	90,000,000	-	-
Debt Premium	-	9,331,924	200,700	9,131,224	-
Compensated Absences	1,357,445	225,248	457,118	1,125,575	225,248
Governmental Activities Long-Term Obligations	\$ 11,123,462	\$ 176,691,327	\$ 95,000,581	\$ 92,814,208	\$ 12,860,114

Total interest paid during the year on long-term debt totaled \$980,252.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

**General Obligation Debt**

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/23
General Obligation Bond	6/2/14	3/1/24	2.00% - 4.00%	\$ 29,075,000	\$ 575,000
General Obligation Bond	1/25/21	9/1/25	0.80% - 3.89%	4,585,000	2,272,000
General Obligation Bond	2/25/21	9/1/26	0.94% - 1.58%	7,636,000	1,605,000
General Obligation Bond	3/1/23	9/1/43	3.625% - 5.00%	70,750,000	\$ 70,750,000
Total Outstanding General Obligation Debt					<u>\$ 75,202,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$75,202,000 on June 30, 2023 are detailed below:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,227,000	\$ 3,490,249	\$ 13,717,249
2025	3,000,000	3,048,002	6,048,002
2026	1,450,000	2,980,621	4,430,621
2027	1,000,000	2,926,031	3,926,031
2028	1,000,000	2,876,031	3,876,031
2029-2033	50,030,000	10,245,155	60,275,155
2034-2038	3,850,000	1,329,655	5,179,655
2039-2043	4,645,000	546,766	5,191,766
Total	<u>\$ 75,202,000</u>	<u>\$ 27,442,510</u>	<u>\$ 102,644,510</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

**Prior Year Advance Refunding**

In prior years, the District defeased and advance refunded portions of multiple general obligation bond issues. As a result, the refunded bonds are also considered to be defeased and the liability has been removed from the financial statements. At June 30, 2023, \$19,105,000 of outstanding general obligation bonds are considered defeased.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

**Legal Margin for New Debt**

The District's legal margin for creation of additional general obligation debt on June 30, 2023 was \$1,024,928,046 as follows:

Equalized Valuation of the District	\$ 11,001,300,460
Statutory Limitation Percentage	<u>(x) 10%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	1,100,130,046
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>75,202,000</u>
Legal Margin for New Debt	<u><u>\$ 1,024,928,046</u></u>

**E. Leases Payable**

The District leases various pieces of machinery and equipment and space usage for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2033.

Total principal and interest costs for such leases for governmental funds were \$2,570,342 for the year ended June 30, 2023. The future minimum lease payments for these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,407,866	\$ 299,485	\$ 2,707,351
2025	1,935,627	198,854	2,134,481
2026	1,443,027	130,862	1,573,889
2027	222,087	65,840	287,927
2028	210,414	56,294	266,708
2029-2033	<u>1,136,388</u>	<u>127,896</u>	<u>1,264,284</u>
Total Minimum Payments Required	<u><u>\$ 7,355,409</u></u>	<u><u>\$ 879,231</u></u>	<u><u>\$ 8,234,640</u></u>

Right-to-use assets acquired through outstanding leases are as follows:

Buildings and Improvements	\$ 2,354,887
Machinery and Equipment	<u>10,914,167</u>
Subtotal	13,269,054
Less Accumulated Depreciation for:	
Buildings and Improvements	160,753
Machinery and Equipment	<u>5,263,676</u>
Total	<u><u>\$ 7,844,625</u></u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Pension Plan (Continued)**

**WRS Pension 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, 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.

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

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

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

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

The WRS also provides death and disability benefits for employees.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Pension Plan (Continued)**

**Postretirement Adjustments**

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

<u>Year Ending June 30,</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13
2022	7.4	15

**Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending June 30, 2023, the WRS recognized \$7,050,008 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.80 %	6.80 %

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Pension Plan (Continued)**

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

At June 30, 2023, the District reported a liability of \$30,655,869 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 0.57866334%, which was a decrease of 0.01582601% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$15,642,630.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 48,825,301	\$ 64,145,483
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	52,077,243	-
Changes in Assumptions	6,028,212	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	456,147	132,331
Employer Contributions Subsequent to the Measurement Date	3,648,890	-
Total	<u>\$ 111,035,793</u>	<u>\$ 64,277,814</u>

\$3,648,890 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2024	\$ 1,827,545
2025	8,948,550
2026	9,210,420
2027	23,122,574
Total	<u>\$ 43,109,089</u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

\* No postretirement 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 postretirement discount rate.

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

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

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Core Fund Asset Class:			
Public Equities	48.0 %	7.6 %	5.0 %
Public Fixed Income	25.0	5.3	2.7
Inflation Sensitive Assets	19.0	3.6	1.1
Real Estate	8.0	5.2	2.6
Private Equity/Debt	15.0	9.7	6.9
Cash	(15.0)	N/A	N/A
Total Core Fund	<u>100.0</u>	7.4	4.8
Variable Fund Asset Class:			
U.S. Equities	70.0	7.2	4.6
International Equities	30.0	8.1	5.5
Total Variable Fund	<u>100.0</u>	7.7	5.1

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

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

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 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 6.8% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.) Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members 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.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.8%, 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 one-percentage-point lower (5.8%) or one-percentage-point higher (7.8%) than the current rate:

	One Percent Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	One Percent Increase to Discount Rate (7.8%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 101,745,831	\$ 30,655,869	\$ (18,247,927)

**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-andstudies/financial-reports-and-statements>.

**Payable to the Pension Plan**

The District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended June 30, 2023.

**G. Other Postemployment Benefits**

**Plan Description**

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Separate financial statements are not issued by the plan. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Benefits Provided (Continued)**

<u>Union/Group</u>	<u>Attained Age</u>	<u>Retirees on or before Applicable Date</u>	<u>Service</u>	<u>District Contribution</u>
Teachers/ Administrators	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the group health insurance premium and any increases occurring during the first 96 months of premium payments for the plan (single or family) in which the teacher was enrolled at the time of retirement at a ratio of one year's premium for each five years of service (one year's premium for each three years of service for service prior to July 1, 2015) in the District, to a maximum premium payment of service prior to July 1, 2015) in the District, 120 months or to age 65, whichever is sooner. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
				For retirees prior to June 30, 2007, the District shall pay health insurance premiums for up to 10 years or age 65, whichever is sooner, for any teacher who voluntarily retires pursuant to the Teacher Emeritus Program, in addition to the benefits above. Retirees may continue in the plan by paying 100% of the premium.
				For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
Secretary/ Clerical	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
				For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Benefits Provided (Continued)**

<u>Union/Group</u>	<u>Attained Age</u>	<u>Retirees on or before Applicable Date</u>	<u>Service</u>	<u>District Contribution</u>
Maintenance	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.  For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Para-Professionals	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every 12 years of continuous service, up to two years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.  For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Administrative Support Unit	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every six years of continuous service up to six years after 36 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.  For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		

**Employees Covered by Benefit Terms**

At July 1, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	67
Active Employees	<u>1,836</u>
Total	<u><u>1,903</u></u>

**Total OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2022.

**Actuarial Assumptions.** The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Total OPEB Liability (Continued)**

Actuarial Cost Method:	Entry Age Normal
Salary Increases:	0.2% to 5.6% (based on longevity)
Discount Rate:	2.16%
Healthcare Cost Trend Rates:	2021 - 9.40%
	2022 - 5.50%
	2023 - 5.30%
	2024 - 5.00%
	Ultimate - 3.70%

Mortality rates are the same as those used in the December 2020 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2021 valuation were based on the "Wisconsin Retirement System 2018 - 2020 Experience Study".

*Discount Rate.* The discount rate used to measure the total OPEB liability was 3.54% as opposed to a discount rate of 2.16% in prior year. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

**Changes in the Total OPEB Liability**

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 9,663,949
Changes for the Year:	
Service Cost	715,622
Interest	191,340
Effect of Liability Gains or Losses	2,178,033
Effect of Assumptions Changes or Inputs	(892,736)
Benefit Payments	(3,058,799)
Net Changes	<u>(866,540)</u>
Balance at June 30, 2022	<u>\$ 8,797,409</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.54%) or one-percentage-point higher (4.54%) than the current rate:

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**Changes in the Total OPEB Liability (Continued)**

	One Percent Decrease to Discount Rate (2.54%)	Current Discount Rate (3.54%)	One Percent Increase to Discount Rate (4.54%)
Total OPEB Liability	<u>\$ 9,437,397</u>	<u>\$ 8,797,409</u>	<u>\$ 8,196,031</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	One Percent Decrease	Healthcare Cost Trend Rates	One Percent Increase
Total OPEB Liability	<u>\$ 7,837,306</u>	<u>\$ 8,797,409</u>	<u>\$ 9,933,823</u>

**Funding Policy**

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$645,345.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,658,734	\$ 5,451,968
Changes in Assumptions	2,184,274	1,429,216
District Contributions Subsequent to the Measurement Date	2,814,643	-
Total	<u>\$ 7,657,651</u>	<u>\$ 6,881,184</u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

**OPEB Expense and Deferred Inflows of Resources Related to OPEB (Continued)**

\$2,814,643 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023, and reported in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2024	\$ (261,617)
2025	(261,617)
2026	(261,617)
2027	(261,617)
2028	(215,331)
Thereafter	<u>(776,377)</u>
Total	<u>\$ (2,038,176)</u>

**Payable to the OPEB Plan**

At June 30, 2023, the District reported no outstanding contribution to the Plan required for the year ended June 30, 2023.

**H. Fund Equity**

**Nonspendable Fund Balance**

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2023, nonspendable fund balance was as follows:

	<u>General</u>	<u>Donations</u>
Nonspendable:		
Inventories and Prepaid Items	\$ 209,348	\$ -
Legally Required to Remain Intact	-	<u>34,345</u>
Total Nonspendable Fund Balance	<u>\$ 209,348</u>	<u>\$ 34,345</u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Fund Equity (Continued)**

**Restricted Fund Balance**

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2023, restricted fund balance was as follows:

Special Revenue Funds:	
Restricted for:	
Scholarships	\$ 3,803,164
Food Service	6,599,998
Community Service	<u>605,669</u>
Total Special Revenue Fund Restricted	
Fund Balance	11,008,831
Debt Service Funds:	
Restricted for:	
Referendum Long-Term Debt Retirement	5,435,336
Capital Project Funds:	
Restricted for:	
Other Capital Projects	88,267,875
Long-Term Capital Improvement	3,828,523
Capital Expansion	<u>4,212,711</u>
Total Capital Projects Fund Restricted	
Fund Balance	<u>96,309,109</u>
Total Restricted Fund Balance	<u><u>\$ 112,753,276</u></u>

**Assigned Fund Balance**

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2023, fund balance was assigned as follows:

General Fund:	
Assigned for:	
Retiree Health Insurance	\$ 1,312,770
Building Carryover	1,126,263
Health Reimbursement Accounts Carryover	1,343,991
Cash Flows Assigned for Subsequent Year	25,990,893
Post Retirement Defined Contribution	2,308,820
Self-Funded Dental	527,010
Self-Funded Health	3,822,422
Technology Services RLE Carryover	462,829
COVID Related Expenses	<u>3,581,500</u>
Total	<u><u>\$ 40,476,498</u></u>

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Fund Equity (Continued)**

**Restricted Fiduciary Fund Net Position**

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2023, restricted fiduciary fund net position was as follows:

Fiduciary Funds:	
Restricted for Scholarships	<u>\$          41,057</u>

**NOTE 3 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

In addition to the above, the District accounts for the following risk management program in the General Fund:

**Self-Funded Insurance Programs**

The District has a self-insured health and dental benefit plans for its employees. The Plan administrators are responsible for the approval, processing, and payment of claims, after which they bill the District's trustee for reimbursement. The District is also responsible for a monthly administrative fee. The Plans report on a fiscal year ending June 30, 2023.

As part of the health care coverage of the plan, the District purchases stop-loss coverage, which pays claims in excess of \$100,000 per individual or 125% of the annual estimated claims as provided by the administrator. The District has no stop-loss coverage of dental care coverage of the plan.

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.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

**Self-Funded Insurance Programs (Continued)**

**Dental Plan**

At June 30, 2023, the District has reported a dental claim liability of \$147,328 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. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2022 and June 30, 2023 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2023	\$ 247,627	\$ 2,261,580	\$ 2,361,879	\$ 147,328
2022	132,773	2,561,575	2,446,721	247,627

**Health Plan**

The District's self funded health plan was established as of January 1, 2023. At June 30, 2023, the District has reported a health claim liability of \$3,362,017 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. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the year ended June 30, 2023 is as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2023	\$ -	\$ 15,246,294	\$ 11,884,277	\$ 3,362,017

**B. Contingencies**

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Limitation on School District Revenues**

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**APPLETON AREA SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —**  
**BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 54,283,224	\$ 54,283,224	\$ 54,353,648	\$ 70,424
Other Local Sources	1,500,000	2,146,722	2,880,854	734,132
Interdistrict Sources	15,167,108	15,167,108	14,495,978	(671,130)
Intermediate Sources	5,000	124,843	21,992	(102,851)
State Sources	113,180,953	113,739,530	114,227,023	487,493
Federal Sources	11,975,000	10,415,604	13,333,703	2,918,099
Other Sources	550,000	641,873	716,096	74,223
Total Revenues	<u>196,661,285</u>	<u>196,518,904</u>	<u>200,029,294</u>	<u>3,510,390</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular Instruction	75,015,712	75,931,812	71,588,126	4,343,686
Vocational Instruction	3,921,924	4,044,514	3,913,581	130,933
Other Instruction	15,446,237	15,084,815	13,224,833	1,859,982
Total Instruction	<u>94,383,873</u>	<u>95,061,141</u>	<u>88,726,540</u>	<u>6,334,601</u>
Support Services:				
Pupil Services	9,124,124	9,380,848	9,353,217	27,631
Instructional Staff Services	10,619,203	11,292,218	11,979,867	(687,649)
General Administration Services	3,771,512	2,513,710	1,022,868	1,490,842
School Administration Services	10,260,329	10,479,697	10,133,950	345,747
Business Services	1,096,970	1,109,470	878,424	231,046
Operations and Maintenance of Plant	17,093,191	17,875,572	22,721,502	(4,845,930)
Pupil Transportation Services	3,728,171	3,836,504	4,086,046	(249,542)
Central Services	3,369,033	3,467,207	7,897,220	(4,430,013)
Insurance	1,255,000	1,255,000	976,087	278,913
Other Support Services	6,596,152	7,278,656	6,529,892	748,764
Total Support Services	<u>66,913,685</u>	<u>68,488,882</u>	<u>75,579,073</u>	<u>(7,090,191)</u>
Debt Service:				
Principal	3,195,350	3,069,458	2,413,279	656,179
Nonprogram:				
General Tuition Payments	8,364,190	8,359,190	8,404,356	(45,166)
Adjustments and Refunds	75,000	75,000	332,958	(257,958)
Voucher Payments	5,000,000	5,000,000	5,555,080	(555,080)
Total Nonprogram	<u>13,439,190</u>	<u>13,434,190</u>	<u>14,292,394</u>	<u>(858,204)</u>
Total Expenditures	<u>177,932,098</u>	<u>180,053,671</u>	<u>181,011,286</u>	<u>(957,615)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	18,729,187	16,465,233	19,018,008	2,552,775
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	7,500	11,400	17,545	6,145
Transfers Out	(22,001,893)	(22,001,893)	(22,464,120)	(462,227)
Total Other Financing Sources (Uses)	<u>(21,994,393)</u>	<u>(21,990,493)</u>	<u>(16,062,419)</u>	<u>5,928,074</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,265,206)	(5,525,260)	2,955,589	8,480,849
Fund Balance - Beginning of Year	59,583,240	59,583,240	59,583,240	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 56,318,034</u>	<u>\$ 54,057,980</u>	<u>\$ 62,538,829</u>	<u>\$ 8,480,849</u>

See accompanying Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET  
AND ACTUAL — SPECIAL EDUCATION REVENUE FUND — BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Other Local Sources	\$ 4,500	\$ 43,914	\$ 39,994	\$ (3,920)
Interdistrict Sources	325,000	325,000	245,532	(79,468)
Intermediate Sources	12,500	12,500	21,126	8,626
State Sources	10,500,607	10,554,110	9,854,296	(699,814)
Federal Sources	5,750,000	5,653,460	5,970,313	316,853
Total Revenues	<u>16,592,607</u>	<u>16,588,984</u>	<u>16,131,261</u>	<u>(457,723)</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular Instruction	-	46,511	-	46,511
Special Education Instruction	29,216,334	29,585,936	29,557,190	28,746
Other Instruction	79,818	79,818	95,515	(15,697)
Total Instruction	<u>29,296,152</u>	<u>29,712,265</u>	<u>29,652,705</u>	<u>59,560</u>
Support Services:				
Pupil Services	4,532,936	4,535,072	4,196,396	338,676
Instructional Staff Services	-	975,889	961,751	14,138
General Administration Services	1,021,780	1,021,722	-	1,021,722
School Administration Services	1,000	1,000	125	875
Business Services	55,000	-	54,259	(54,259)
Operations and Maintenance of Plant	31,489	31,489	36,357	(4,868)
Pupil Transportation Services	2,245,782	2,245,782	2,357,496	(111,714)
Central Services	4,200	4,213	3,264	949
Other Support Services	-	2,354	2,272	82
Total Support Services	<u>7,892,187</u>	<u>8,817,519</u>	<u>7,611,920</u>	<u>1,205,599</u>
Debt Service				
Principal	10,000	10,000	9,719	281
Total Debt Service	<u>10,000</u>	<u>10,000</u>	<u>9,719</u>	<u>281</u>
Nonprogram:				
Special Education Tuition Payments	433,000	438,000	1,321,037	(883,037)
Total Expenditures	<u>37,631,339</u>	<u>38,977,784</u>	<u>38,595,381</u>	<u>382,403</u>
<b>DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(21,038,732)	(22,388,801)	(22,464,120)	(75,319)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	22,001,893	22,001,893	22,464,120	462,227
<b>NET CHANGE IN FUND BALANCE</b>				
	963,161	(386,908)	-	386,908
Fund Balance - Beginning of Year				
	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 963,161</u>	<u>\$ (386,908)</u>	<u>\$ -</u>	<u>\$ 386,908</u>

See accompanying Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS \***

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service Cost	\$ 715,622	\$ 921,170	\$ 732,702	\$ 1,339,310	\$ 1,295,633	\$ 1,402,339
Interest	191,340	342,480	525,063	867,258	854,123	748,236
Changes of Benefit Terms	-	-	-	(5,562,388)	-	-
Differences Between Expected and Actual Experience	2,178,033	(4,844,189)	933,795	(2,326,379)	-	-
Changes of Assumptions	(892,736)	155,225	1,127,766	1,998,670	(377,238)	(972,006)
Benefit Payments	(3,058,799)	(2,956,621)	(3,058,799)	(3,173,057)	(3,356,722)	(3,582,737)
Net Change in Total OPEB Liability	(866,540)	(6,381,935)	260,527	(6,856,586)	(1,584,204)	(2,404,168)
Total OPEB Liability - Beginning of Year	9,663,949	16,045,884	15,785,357	22,641,943	24,226,147	24,226,147
Total OPEB Liability - End of Year	<u>\$ 8,797,409</u>	<u>\$ 9,663,949</u>	<u>\$ 16,045,884</u>	<u>\$ 15,785,357</u>	<u>\$ 22,641,943</u>	<u>\$ 21,821,979</u>
Covered Employee Payroll	\$ 109,064,251	\$ 109,064,251	\$ 99,460,287	\$ 98,938,195	\$ 101,457,415	\$ 95,813,152
District's Total OPEB Liability as a Percentage of Covered Employee Payroll	8%	9%	16%	16%	22%	23%

\* The amounts presented for each fiscal year were determined as of the current fiscal year-end. Amounts for prior years were not available.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) —  
WISCONSIN RETIREMENT SYSTEM  
LAST 10 MEASUREMENT YEARS**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (Plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.63069221 %	\$ (15,491,526)	\$ 87,953,382	17.61 %	102.74 %
12/31/15	0.62692309	10,187,379	88,611,191	11.50	98.20
12/31/16	0.62549638	5,155,584	90,249,176	5.71	99.12
12/31/17	0.62525994	(18,564,709)	93,206,041	19.92	102.93
12/31/18	0.62830619	22,353,164	97,264,608	22.98	96.45
12/31/19	0.62502742	(20,153,737)	98,543,402	20.45	102.96
12/31/20	0.60913062	(38,028,869)	97,198,588	39.12	105.26
12/31/21	0.59448935	(47,916,935)	101,451,385	47.23	106.02
12/31/22	0.57866334	30,655,869	102,630,633	29.87	95.72

**SCHEDULE OF CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

<u>District Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/15	\$ 6,073,215	\$ 6,073,215	\$ -	\$ 88,362,345	6.87 %
6/30/16	5,933,997	5,933,997	-	88,923,093	6.67
6/30/17	6,242,053	6,242,053	-	92,790,864	6.73
6/30/18	6,453,759	6,453,759	-	95,813,152	6.74
6/30/19	6,697,786	6,697,786	-	101,457,415	6.60
6/30/20	6,588,227	6,588,227	-	98,938,195	6.66
6/30/21	6,607,175	6,607,175	-	99,460,287	6.64
6/30/22	6,660,119	6,660,119	-	109,064,251	6.11
6/30/23	7,050,008	7,050,008	-	105,422,929	6.68

See accompanying Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

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 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

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

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLANS**

There were no changes in benefit terms. The discount rate assumption used to develop the total OPEB liability changed from the prior year. Please refer to the actuarial assumptions section in the notes to the financial statements for additional information. The amounts reported for each fiscal year were determine as of June 30 of the prior fiscal year-end. No assets have been accumulated in an irrevocable trust.

The District is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING**

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a  $\frac{2}{3}$  vote of the entire Board of Education.
- Appropriations lapse at year-end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2023.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

**Excess of Expenditure Over Budget Appropriations**

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2023.

<u>Funds</u>	<u>Excess Expenditures</u>
General Fund:	
Support Services:	
Instructional Staff Services	\$ 687,649
Operations and Maintenance of Plant	4,845,930
Pupil Transportation Services	249,542
Central Services	4,430,013
Nonprogram:	
General Tuition Payments	45,166
Adjustments and Refunds	257,958
Vouchers Payments	555,080
Transfers Out	462,227
Special Education Fund:	
Instruction:	
Other Instruction	15,697
Support Services:	
Business Services	54,259
Operations and Maintenance of Plant	4,868
Pupil Transportation Services	111,714
Nonprogram:	
Special Education Tuition Payments	883,037

Excess expenditures were funded with positive variances in other general and special education fund appropriation accounts.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund in accordance with requirements from the Wisconsin Department of Public Instruction. In accordance with generally accepted accounting principles, this fund is included as part of the general fund in these financial statements. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education Fund</u>
Revenues:		
Actual Amounts (Budgetary Basis)	\$ 200,029,294	\$ 16,131,261
Reclassification of Special Education	<u>16,131,261</u>	<u>(16,131,261)</u>
Total Revenues	216,160,555	-
Expenditures:		
Actual Amounts (Budgetary Basis)	181,011,286	38,595,381
Reclassification of Special Education	<u>38,595,381</u>	<u>(38,595,381)</u>
Total Expenditures	219,606,667	-
Excess of Revenues Over (Under) Expenditures:		
Actual Amounts (Budgetary Basis)	19,018,008	(22,464,120)
Reclassification of Special Education	<u>(22,464,120)</u>	<u>22,464,120</u>
Excess of Revenues Over (Under) Expenditures	(3,446,112)	-
Other Financing Sources (Uses):		
Actual Amounts (Budgetary Basis)	(16,062,419)	22,464,120
Reclassification of Special Education	<u>22,464,120</u>	<u>(22,464,120)</u>
Total Other Financing Sources (Uses)	6,401,701	-
Net Change in Fund Balance:		
Actual Amounts (Budgetary Basis)	2,955,589	-
Fund Balance - Beginning of Year:		
Actual Amounts (Budgetary Basis)	<u>59,583,240</u>	<u>-</u>
Fund Balance - End of Year:		
Actual Amounts (Budgetary Basis)	<u>\$ 62,538,829</u>	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

**APPLETON AREA SCHOOL DISTRICT  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
<b>ASSETS</b>				
Cash and Investments	\$ 2,659,137	\$ -	\$ 1,816,922	\$ -
Receivables:				
Accounts	3,180	-	-	225
Due from Other Funds	1,182,721	-	4,944,919	1,225,723
Due from Other Governments	-	16,813	117,958	-
	<u>-</u>	<u>16,813</u>	<u>117,958</u>	<u>-</u>
Total Assets	<u>\$ 3,845,038</u>	<u>\$ 16,813</u>	<u>\$ 6,879,799</u>	<u>\$ 1,225,948</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,700	\$ 1,039	\$ 153,085	\$ 611,999
Accrued and Other Current Liabilities	(171)	1,169	48	8,280
Due to Other Funds	3,000	14,605	-	-
Deposits Payable	-	-	126,668	-
Total Liabilities	<u>7,529</u>	<u>16,813</u>	<u>279,801</u>	<u>620,279</u>
<b>FUND BALANCES</b>				
Nonspendable	34,345	-	-	-
Restricted	3,803,164	-	6,599,998	605,669
Total Fund Balances	<u>3,837,509</u>	<u>-</u>	<u>6,599,998</u>	<u>605,669</u>
Total Liabilities and Fund Balances	<u>\$ 3,845,038</u>	<u>\$ 16,813</u>	<u>\$ 6,879,799</u>	<u>\$ 1,225,948</u>

**APPLETON AREA SCHOOL DISTRICT  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2023**

Long-Term Capital Improvement	Capital Expansion	Total Nonmajor Governmental Funds
\$ 3,828,523	\$ 176,884	\$ 8,481,466
-	-	3,405
-	4,161,409	11,514,772
-	-	134,771
<u>\$ 3,828,523</u>	<u>\$ 4,338,293</u>	<u>\$ 20,134,414</u>
\$ -	\$ 75,582	\$ 846,405
-	-	9,326
-	50,000	67,605
-	-	126,668
-	<u>125,582</u>	<u>1,050,004</u>
-	-	34,345
<u>3,828,523</u>	<u>4,212,711</u>	<u>19,050,065</u>
<u>3,828,523</u>	<u>4,212,711</u>	<u>19,084,410</u>
<u>\$ 3,828,523</u>	<u>\$ 4,338,293</u>	<u>\$ 20,134,414</u>

**APPLETON AREA SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ 2,615,140
Other Local Sources	3,338,590	-	1,427,030	11,457
State Sources	-	-	105,152	-
Federal Sources	-	28,404	6,337,440	-
Other Sources	-	-	833,986	-
Total Revenues	<u>3,338,590</u>	<u>28,404</u>	<u>8,703,608</u>	<u>2,626,597</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular Instruction	364,885	8,078	-	-
Vocational Instruction	5,771	-	-	-
Other Instruction	1,586,110	-	-	-
Total Instruction	<u>1,956,766</u>	<u>8,078</u>	<u>-</u>	<u>-</u>
Support Services:				
Pupil Services	115,582	14,876	-	-
Instructional Staff Services	75,081	3,299	-	-
General Administration Services	645	1,570	-	-
School Administration Services	385,026	-	-	863,385
Operations and Maintenance of Plant	409,761	-	140,846	204,921
Pupil Transportation Services	584,237	130	-	-
Food Services	-	-	8,448,984	-
Central Services	1,489	450	-	79,240
Total Support Services	<u>1,571,821</u>	<u>20,325</u>	<u>8,589,830</u>	<u>1,147,546</u>
Debt Service:				
Principal	-	-	-	1,719
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,719</u>
Community Service	-	-	-	1,464,307
Total Expenditures	<u>3,528,587</u>	<u>28,403</u>	<u>8,589,830</u>	<u>2,613,572</u>
<b>NET CHANGE IN FUND BALANCES</b>	(189,997)	1	113,778	13,025
Fund Balances - Beginning of Year	<u>4,027,506</u>	<u>(1)</u>	<u>6,486,220</u>	<u>592,644</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,837,509</u>	<u>\$ -</u>	<u>\$ 6,599,998</u>	<u>\$ 605,669</u>

**APPLETON AREA SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2023**

Long-Term Capital Improvement	Capital Expansion	Total Nonmajor Governmental Funds
\$ -	\$ 2,460,000	\$ 5,075,140
65,487	7,275	4,849,839
-	-	105,152
-	-	6,365,844
-	-	833,986
<u>65,487</u>	<u>2,467,275</u>	<u>17,229,961</u>
-	-	372,963
-	-	5,771
-	-	<u>1,586,110</u>
-	-	1,964,844
-	-	130,458
-	-	78,380
-	-	2,215
-	-	1,248,411
-	965,036	1,720,564
-	-	584,367
-	-	8,448,984
-	-	81,179
-	<u>965,036</u>	<u>12,294,558</u>
-	-	1,719
-	-	1,719
-	-	1,464,307
-	<u>965,036</u>	<u>15,725,428</u>
65,487	1,502,239	1,504,533
<u>3,763,036</u>	<u>2,710,472</u>	<u>17,579,877</u>
<u>\$ 3,828,523</u>	<u>\$ 4,212,711</u>	<u>\$ 19,084,410</u>

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS  
YEAR ENDED JUNE 30, 2023**

		Appleton Bilingual	Appleton Eschool	Appleton Public Montessori	Appleton Technical Academy	Classical School
	<u>Object</u>					
<b>OPERATING ACTIVITY</b>						
Employee Salaries	100	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774
Employee Benefits	200	261	261	261	261	261
Total		<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

Fox Cities Leadership Academy	Fox River Academy	Kaleidoscope Academy	Renaissance School For the Arts	Stephen Foster Elementary	Tesla Engineering Charter School	Valley New School	Wisconsin Connections Academy
\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774	\$ 1,774
261	261	261	261	261	261	261	261
<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>	<u>\$ 2,035</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**



**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***

Board of Education  
Appleton Area School District  
Appleton, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin, (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 13, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

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

**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*.

**Appleton Area School District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Appleton Area School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
December 13, 2023

**FEDERAL AND STATE AWARDS**



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

Board of Education  
Appleton Area School District  
Appleton, Wisconsin

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

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

We have audited Appleton Area School District, Appleton, Wisconsin's (the District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of 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 *State Single Audit Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *State Single Audit Guidelines* 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines* 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines* 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 the *State Single Audit Guidelines*, 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Education  
Appleton Area School District

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

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
December 13, 2023

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

<u>Grantor Agency/Federal Program Cluster or Title</u>	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/2022	Cash Received	Accrued (Deferred) Revenue 6/30/2023	Total Federal Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<i>Child Nutrition Cluster</i>								
COVID-19 School Breakfast Program	10.553	WI DPI	2023-440147-DPI-SB-546	\$ (33,584)	\$ 1,400,454	\$ 14,400	\$ 1,381,270	\$ -
COVID-19 National School Lunch Program	10.555	WI DPI	2023-440147-DPI-NSL-547	(54,541)	3,985,794	14,909	3,946,162	-
COVID-19 National School Lunch Snack Program	10.555	WI DPI	2023-440147-DPI-SK_NSLAE-566	(519)	83,073	449	83,003	-
Donated Commodities	10.555	WI DPI	2023-440147-DPI-NSL-547	-	625,830	-	625,830	-
Total National School Lunch Program				(55,060)	4,694,697	15,358	4,654,995	-
COVID-19 Summer Food Service Program for Children	10.559	WI DPI	2023-440147-DPI-SFSP-586	(70,489)	92,382	88,199	110,092	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2023-440147-DPI-FFVP-July-594	(28,706)	200,916	-	172,210	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2023-440147-DPI-FFVP-July-594	-	18,873	-	18,873	-
Total Child Nutrition Cluster and U.S. Department of Agriculture				(187,839)	6,407,322	117,957	6,337,440	-
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2023-440147-DPI-TI-A-141	(808,200)	1,836,975	1,077,965	2,106,740	-
Title I Grants to Local Educational Agencies-Private	84.010	WI DPI	2023-440147-DPI-TI-A-141	(29,010)	78,192	40,584	89,766	-
Title I Grants to Local Educational Agencies- Delinquent	84.010	WI DPI	2023-440147-DPI-TID-144	(596)	3,562	3,977	6,943	-
Total Title I Grants to Local Educational Agencies				(837,806)	1,918,729	1,122,526	2,203,449	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2023-440147-DPI-FLOW-341	(2,012,007)	3,282,119	2,957,402	4,227,514	-
COVID-19 Special Education Grants to States	84.027	WI DPI	2023-440147-DPI-FLOW-341	-	335,208	298,320	633,528	-
Special Education Preschool Grants	84.173	WI DPI	2023-440147-DPI-PRESCH-347	(31,486)	161,460	117,582	247,556	-
COVID-19 Special Education Preschool Grants	84.173	WI DPI	2023-440147-DPI-PRESCH-347	(80,858)	80,858	-	-	-
Total Special Education Cluster (IDEA)				(2,124,351)	3,859,645	3,373,304	5,108,598	-

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<u>Grantor Agency/Federal Program Cluster or Title</u>	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/2022	Cash Received	Accrued (Deferred) Revenue 6/30/2023	Total Federal Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF EDUCATION (CONTINUED)</b>								
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2022-440147-CP-CTE-400	\$ (107,860)	\$ 107,860	\$ -	\$ -	\$ -
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2023-440147-DPI-CTE-400	-	14,026	113,616	127,642	-
Total Career and Technical Ed. - Basic Grants to States				(107,860)	121,886	113,616	127,642	-
Indian Education - Grants to Local Educational Agencies	84.060	Direct Program	N/A	(13,692)	13,692	-	-	-
Indian Education - Grants to Local Educational Agencies	84.060	Direct Program	N/A	-	11,591	16,813	28,404	-
Total Indian Education - Grants to Local Educational Agencies				(13,692)	25,283	16,813	28,404	-
School Based Mental Health Professionals	84.184	Direct Program	N/A	(9,064)	42,064	56,313	89,313	-
Education for Homeless Children and Youth	84.196	WI DPI	2023-440147-DPI-EHCY-335	-	-	15,000	15,000	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2022-440147-DPI-T-IV-B-367	(132,363)	132,363	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2023-440147-DPI-TIVB-367	-	225,295	508,772	734,067	-
Total Twenty-First Century Community Learning Centers				(132,363)	357,658	508,772	734,067	-
English Language Acquisition State Grants	84.365	WI DPI	2023-440147-DPI-TIIA-391	(89,784)	196,064	79,411	185,691	-
English Language Acquisition State Grants	84.365	WI DPI	2023-440147-DPI-TIIA-391	(3,256)	8,256	3,270	8,270	-
Total English Language Acquisition State Grants				(93,040)	204,320	82,681	193,961	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2023-440147-DPI-TIIA-365	(163,614)	422,201	169,302	427,889	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2023-440147-DPI-TIIA-365	(62,073)	109,193	12,383	59,503	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2023-440147-DPI-TIIA-365	-	934	-	934	-
Total Supporting Effective Instruction State Grants				(225,687)	532,328	181,685	488,326	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2021-440147-DPI-TIV-A-381	-	-	-	-	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2023-440147-DPI-TIVA-381	(18,644)	41,053	83,528	105,937	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2023-440147-DPI-TIVA-381	(11,016)	14,996	27,869	31,849	-
Total Student Support and Academic Enrichment Program				(29,660)	56,049	111,397	137,786	-
COVID-19 Elementary and Secondary School Emergency Relief	84.425U	WI DPI	2022-440147-DPI-ESSERF-160	(2,794,707)	6,128,513	2,917,643	6,251,449	-
COVID-19 ARPA Homeless	84.427W	WI DPI	Unknown	(15,483)	30,000	19,928	34,445	-
COVID-19 ARPA Homeless	84.427W	WI DPI	Unknown	-	30,000	17,046	47,046	-
Total COVID-19 ARPA Homeless				(15,483)	60,000	36,974	81,491	-
Total U.S. Department of Education				(6,383,713)	13,306,475	8,536,724	15,459,486	-

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

<u>Grantor Agency/Federal Program Cluster or Title</u>	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/2022	Cash Received	Accrued (Deferred) Revenue 6/30/2023	Total Federal Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Public Health Emergency Response: Cooperative Agreement	93.354	CESA 6	Unknown	\$ -	\$ 49,498	\$ 40,071	\$ 89,569	\$ -
Refugee School Impact Grant	93.576	WI DPI	FY2023-440147-Refugee-538	(3,326)	24,235	20,776	41,685	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	Unknown	(29,416)	2,214,568	44,488	2,229,640	-
Total U.S. Department of Health and Human Services				(32,742)	2,288,301	105,335	2,360,894	-
Total Expenditures of Federal Awards				<u>\$ (6,604,294)</u>	<u>\$ 22,002,098</u>	<u>\$ 8,760,016</u>	<u>\$ 24,157,820</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements:								
Federal Sources							\$ 25,669,860	
Less Amounts Not Considered Federal Awards:								
Governor's Coronavirus Fund							(201,212)	
Get Kids Ahead							(1,310,828)	
Total Expenditures of Federal Awards							<u>\$ 24,157,820</u>	

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

<u>Grantor Agency/State Program Title</u>	<u>State I.D. Number</u>	<u>Pass-Through Agency</u>	<u>State Identifying Number</u>	<u>(Accrued) Deferred Revenue 7/1/2021</u>	<u>Cash Received</u>	<u>Accrued (Deferred) Revenue 6/30/2022</u>	<u>Total Expenditures</u>	<u>Subrecipient Payments</u>
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>								
Special Education and School Age Parents	255.101	Direct Program	440147-100	\$ -	\$ 9,664,225	\$ -	\$ 9,664,225	\$ -
Special Education and School Age Parents	255.101	Brown County	440147-100	-	7,754	-	7,754	-
Special Education and School Age Parents	255.101	CESA 7	440147-100	-	13,372	-	13,372	-
State School Lunch Aid	255.102	Direct Program	440147-107	-	60,092	-	60,092	-
Common School Fund Library Aid	255.103	Direct Program	440147-104	-	865,173	-	865,173	-
Bilingual Bicultural Aid lea	255.106	Direct Program	440147-111	-	299,470	-	299,470	-
General Transportation Aid	255.107	Direct Program	440147-102	-	79,931	-	79,931	-
Equalization Aids	255.201	Direct Program	440147-116	-	98,423,124	-	98,423,124	-
High Cost Special Education Aid	255.210	Direct Program	440147-119	-	136,568	-	136,568	-
Aid for School Mental Health Programs	255.227	Direct Program	Unknown	-	735,032	-	735,032	-
Peer to Peer Suicide Prevention	255.246	Direct Program	440147-183	(1,000)	1,000	5,000	5,000	-
Peer to Peer Suicide Prevention	255.246	CESA 4	440147-183	(6,000)	6,000	-	-	-
School Based Mental Health Services Grant	255.297	Direct Program	440147-177	(40,172)	48,735	60,973	69,536	-
Alcohol and Other Drug Abuse	255.306	Direct Program	440147-143	(6,499)	17,633	13,865	24,999	-
Transition Readiness	255.257	Direct Program	440147-174	(45,076)	45,076	-	-	-
AODA Program Grants	255.321	Direct Program	440147-142	-	-	2,900	2,900	-
State School Breakfast Aid	255.344	Direct Program	440147-108	-	45,060	-	45,060	-
Early College Credit Program	255.445	Direct Program	440147-178	(1,509)	1,509	1,861	1,861	-
Achievement Gap Reduction (AGR)	255.504	Direct Program	440147-160	-	1,852,714	-	1,852,714	-
Educator Effective Evaluation System	255.940	Direct Program	440147-154	(99,200)	198,480	-	99,280	-
Per Pupil Aid	255.945	Direct Program	440147-113	-	10,465,910	-	10,465,910	-
Career and Technical Education Incentive Grants	255.950	Direct Program	440147-171	-	135,791	-	135,791	-
Assessments of Reading Readiness	255.956	Direct Program	440147-166	-	25,215	-	25,215	-
Robotics League Participation Grants	255.959	Direct Program	440147-167	-	7,606	-	7,606	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	440147-168	-	53,503	-	53,503	-
Total Wisconsin Department of Public Instruction				<u>(199,456)</u>	<u>123,188,973</u>	<u>84,599</u>	<u>123,074,116</u>	<u>-</u>
<b>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</b>								
Youth Apprenticeship	445.194	CESA 6	N/A	-	878	21,115	21,993	-
Total State Programs				<u>\$ (199,456)</u>	<u>\$ 123,189,851</u>	<u>\$ 105,714</u>	<u>\$ 123,096,109</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements:								
State Sources							\$	124,186,471
Intermediate Sources								43,117
Less: State Sources Not Considered State Financial Assistance								
State Tax Computer and Personal Property Aid								(1,133,479)
Total State Awards							<u>\$</u>	<u>123,096,109</u>

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal and state awards for the Appleton Area School District are 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 *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2023 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of indirect costs.

**NOTE 3 FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

**NOTE 4 OVERSIGHT AGENCIES**

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education  
State - Wisconsin Department of Public Instruction

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I – Summary of Auditors’ Results**

**Basic Financial Statements**

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no
  - Significant deficiency(ies) identified? \_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ none reported
3. Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ No

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

**Identification of Major Federal Programs Assistance Listing Numbers**

84.027/84.173  
84.425U  
93.778

**Name of Federal Program**

Special Education Cluster  
COVID-19 Education Stabilization Fund  
Medical Assistance Program

Audit threshold used to determine between Type A and Type B programs:

Federal Awards \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ no



**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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**Finding No.**  
**2023-001**

**Control Deficiencies**  
**Preparation of Annual Financial Reporting**

Type of Finding:	Significant deficiency in internal control over financial reporting.
Condition:	Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the Village had implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.
Criteria or Specific Requirement:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.
Effect:	Without CLA involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Cause:	District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Repeat Finding:	Yes; 2022-001
Recommendation:	We recommend the District continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

**APPLETON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings (Continued)***

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**Finding No.**  
**2023-001**

**Control Deficiencies**  
**Preparation of Annual Financial Reporting (Continued)**

Views of Responsible  
Officials and Planned

Corrective Actions: Management continues to believe the cost to hire additional staff to eliminate the control deficiency outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by CLA prior to issuance.

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***Section III – Federal and State Findings and Questioned Costs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

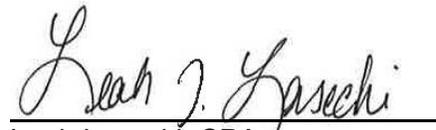
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***Section IV – Other Issues***

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- |  |     |
|--|-----|
| 1. Does the auditor have 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 cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : |     |
| Department of Public Instruction   | Yes |
| Department of Workforce Development  | Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  | No  |

4. Name and Signature of Partner

  
Leah Lasecki, CPA

5. Date of Report

December 13, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.