

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2022

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**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

**Audited Financial Statements**

Year Ended June 30, 2022

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## Independent Auditors' Report

To the School Board  
Merton Community School District  
Merton, 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 Merton Community School District ("District") as of and for the year ended June 30, 2022, 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, 2022, 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 of Opinions*

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

#### *Change in Accounting Principle*

As discussed in Note 1.S to the financial statements, the District adopted new accounting guidance during the year ended June 30, 2022, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

Reilly, Penner & Benton LLP

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## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

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

### **Supplementary Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Reilly, Penner & Benton LLP*

November 10, 2022  
Milwaukee, Wisconsin

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Statement of Net Position**  
June 30, 2022

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash	\$ 4,131,858
Investments	856,808
Taxes receivable	900,142
Due from other governments	148,528
Prepaid expenses	62,461
<b>Total current assets</b>	6,099,797
<b>Noncurrent assets:</b>	
Net pension asset - WRS	2,386,377
<b>Capital assets:</b>	
Nondepreciable	753,822
Depreciable, net of accumulated depreciation	8,925,246
Right to use leased assets, net of accumulated amortization	8,778
<b>Total capital assets</b>	9,687,846
<b>Total noncurrent assets</b>	12,074,223
<b>Total assets</b>	18,174,020
<b>Deferred Outflow of Resources:</b>	
Deferred outflows related to pensions - WRS	4,473,028
Deferred outflows related to post-employment benefit	69,762
<b>Total deferred outflows of resources</b>	4,542,790
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	182,648
Withholdings and related fringes payable	263,317
Accrued interest	4,240
Accrued payroll	642,491
Deposits payable	10,229
Unearned revenues	26,602
Lease liability	8,890
Current portion of long-term debt	50,000
Current portion of termination benefits payable	20,000
<b>Total current liabilities</b>	1,208,417
<b>Noncurrent liabilities:</b>	
Long-term debt	281,818
Accrued compensated absences	13,386
Retirement liability	22,166
Termination benefits payable	40,000
Total other post-employment benefit liability	55,729
<b>Total noncurrent liabilities</b>	413,099
<b>Total liabilities</b>	1,621,516
<b>Deferred Inflow of Resources:</b>	
Deferred inflows related to pensions - WRS	5,625,823
Deferred inflows related to post-employment benefit	108,400
<b>Total deferred outflows of resources</b>	5,734,223
<b>Net Position:</b>	
Net investment in capital assets	9,342,898
Restricted for:	
Common school library program	19,799
Debt service	59,048
Capital projects	1,056,173
Food service	119,977
Other special revenue	56,930
Unrestricted	4,706,246
<b>Total net position</b>	\$ 15,361,071

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2022

	<b>Program Revenues</b>			<b>Net</b>
<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Grants and</b>	<b>(Expenses)</b>
	<b>Services</b>	<b>Contributions</b>	<b>Revenues and</b>	<b>Changes in</b>
			<b>Net Position</b>	
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 4,875,251	\$ 1,180,334	\$ 248,716	\$ (3,446,201)
Special education instruction	1,106,478	39,871	672,439	(394,168)
Vocational instruction	54,338	---	---	(54,338)
Other instruction	306,345	---	---	(306,345)
Total instruction	6,342,412	1,220,205	921,155	(4,201,052)
Support services:				
Pupil services	234,112	---	8,041	(226,071)
Instructional staff services	539,141	---	55,564	(483,577)
Administration services	896,729	---	---	(896,729)
Operation and maintenance	644,901	23,574	45,000	(576,327)
Pupil transportation	313,854	12,350	9,956	(291,548)
Central services	25,089	---	---	(25,089)
Other support services	623,811	---	---	(623,811)
Food service	338,855	65,141	425,248	151,534
Interest on long-term obligations	10,746	---	---	(10,746)
Unallocated depreciation	490,126	---	---	(490,126)
Loss on disposal of assets	1,431	---	---	(1,431)
Total support services	4,118,795	101,065	543,809	(3,473,921)
<b>Total school district</b>	\$ 10,461,207	\$ 1,321,270	\$ 1,464,964	(7,674,973)
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				4,232,311
Property taxes, levied for debt service				61,028
Property taxes, levied for specific purposes				1,000
Federal and state aid not restricted to specific purposes:				
General				3,664,310
Other				591,720
Interest and investment earnings				5,431
Miscellaneous				50,455
				931,282
<b>Changes in net position</b>				931,282
<b>Net position - beginning of year</b>				14,441,229
Prior period adjustment				(11,440)
<b>Net position - beginning of year as adjusted</b>				14,429,789
<b>Net position - end of year</b>				\$ 15,361,071

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash	\$ 3,876,994	\$ 2,151	\$ 252,713	\$ 4,131,858
Investments	2,786	854,022	---	856,808
Taxes receivable	900,142	---	---	900,142
Due from other funds	---	200,000	---	200,000
Due from other governments	138,390	---	10,138	148,528
Prepaid expenditure	62,461	---	---	62,461
<b>Total assets</b>	<b>\$ 4,980,773</b>	<b>\$ 1,056,173</b>	<b>\$ 262,851</b>	<b>\$ 6,299,797</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 179,460	\$ ---	\$ 3,188	\$ 182,648
Withholdings and related fringes payable	263,317	---	---	263,317
Accrued payroll	642,491	---	---	642,491
Due to other funds	200,000	---	---	200,000
Deposits payable	10,229	---	---	10,229
Unearned revenues	2,894	---	23,708	26,602
<b>Total liabilities</b>	<b>1,298,391</b>	<b>---</b>	<b>26,896</b>	<b>1,325,287</b>
<b>Fund Balances:</b>				
Nonspendable	62,461	---	---	62,461
Restricted	19,799	1,056,173	235,955	1,311,927
Unassigned	3,600,122	---	---	3,600,122
<b>Total fund balances</b>	<b>3,682,382</b>	<b>1,056,173</b>	<b>235,955</b>	<b>4,974,510</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,980,773</b>	<b>\$ 1,056,173</b>	<b>\$ 262,851</b>	<b>\$ 6,299,797</b>

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



**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**

June 30, 2022

**Total fund balances - governmental funds** \$ 4,974,510

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

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

Cost of the assets	\$ 21,442,379	
Accumulated depreciation	(11,763,311)	
Right to use assets	17,557	
Accumulated amortization	<u>(8,779)</u>	
		9,687,846

Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds

Notes payable	\$ (331,818)	
Termination benefits payable	(60,000)	
Lease liability	<u>(8,890)</u>	
		(400,708)

The District's total OPEB liability is recorded as a liability on the statement of net position, but is not reported in the governmental funds.

(55,729)

The District's proportionate share of the WRS net pension asset is reported as a noncurrent asset. This is reported as an asset on the statement of net position, but is not reported in the governmental funds.

2,386,377

The District's retirement liability is recorded as a liability on the statement of net position, but is not reported in the governmental funds.

(22,166)

Deferred outflows and inflows of resources related to pensions and post-employment benefits are applicable to future periods, and therefore, are not reported in the governmental funds.

(1,191,433)

Accrued compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.

(13,386)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.

(4,240)

**Total net position - governmental activities** \$ 15,361,071

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

**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

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

**Governmental Funds**

Year Ended June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 4,454,735	\$ 2,492	\$ 223,510	\$ 4,680,737
Interdistrict payments within Wisconsin	1,020,768	---	---	1,020,768
Intermediate sources	6,560	---	---	6,560
State	4,641,537	---	11,471	4,653,008
Federal	567,187	---	413,777	980,964
Other	50,454	---	---	50,454
<b>Total revenues</b>	<u>10,741,241</u>	<u>2,492</u>	<u>648,758</u>	<u>11,392,491</u>
<b>Expenditures:</b>				
Instruction:				
Current	5,987,292	---	75,610	6,062,902
Interdistrict	620,530	---	---	620,530
Capital outlay	50,270	---	17,064	67,334
Support Services:				
Current	3,393,446	65,005	342,969	3,801,420
Capital outlay	419,479	554,241	131,950	1,105,670
Debt service	9,037	---	61,015	70,052
<b>Total expenditures</b>	<u>10,480,054</u>	<u>619,246</u>	<u>628,608</u>	<u>11,727,908</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>261,187</u>	<u>(616,754)</u>	<u>20,150</u>	<u>(335,417)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	---	200,000	---	200,000
Operating transfers out	(200,000)	---	---	(200,000)
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>200,000</u>	<u>---</u>	<u>---</u>
<b>Net change in fund balances</b>	<u>61,187</u>	<u>(416,754)</u>	<u>20,150</u>	<u>(335,417)</u>
<b>Fund Balances - Beginning of year</b>	3,621,195	1,472,927	227,245	5,321,367
Adjustment due to correction of an error	---	---	(11,440)	(11,440)
<b>Fund Balances - Beginning of year, as adjusted</b>	<u>3,621,195</u>	<u>1,472,927</u>	<u>215,805</u>	<u>5,309,927</u>
<b>Fund Balances - End of year</b>	<u>\$ 3,682,382</u>	<u>\$ 1,056,173</u>	<u>\$ 235,955</u>	<u>\$ 4,974,510</u>

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities

Year Ended June 30, 2022

**Total net change in fund balances - governmental funds** \$ (335,417)

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

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

Depreciation and amortization expense	\$ (490,126)	
Capital outlays	<u>1,173,004</u>	682,878

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

Loss on disposal		(1,431)
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Repayment of certain long-term obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Lease liability	8,667	
Notes payable	<u>50,000</u>	58,667

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

District pension contributions	335,461	
Cost of benefits earned net of employee contributions	<u>206,982</u>	542,443

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

Post-employment benefits	(15,420)	
Retirement benefits	46,813	
Termination benefits	(60,000)	
Compensated absences	<u>12,110</u>	(16,497)

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

<b>Change in net position of governmental activities</b>		<u><u>\$ 931,282</u></u>
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The accompanying notes to financial statements  
are an integral part of these statements.

# MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

## Notes to Financial Statements

June 30, 2022

### 1. Summary of Significant Accounting Policies

#### A. Introduction

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

#### B. Component Units

GAAP requires that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

#### C. Basis of Presentation

##### District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

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

**Fund Financial Statements**

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

The District reports the following major governmental funds:

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

*Capital Projects Fund* – This fund accounts for the financial resources of the District to be used for capital expenditures related to buildings and sites.

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

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

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

**E. Cash**

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**F. Investments**

The District's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Adjustments necessary to record investments at fair value are recorded in the statement of activities, statements of revenues, expenditures and changes in fund balances and statement of changes in fiduciary net position as increases or decreases in investment income.

Investment balances for individual funds are pooled unless maintained in segregated accounts.

**G. Receivables**

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

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

**H. Interfund Transactions**

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

Individual fund transfers and inter-fund receivables and payable activity for the year ending June 30, 2022 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from funds:			
Fund future capital projects	Capital Projects Trust	General	\$ <u>200,000</u>
Transfers:			
Fund future capital projects	Capital Projects Trust	General	\$ <u>200,000</u>

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**I. Capital Assets**

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Land improvements	5,000	Straight-line	20 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

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

**J. Right to Use Assets**

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

**K. Net Position**

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

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

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**L. Fund Balances**

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

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board prior to year-end. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a resolution to delegate authority to assign amounts to any individual or body.
- *Unassigned* - all other spendable amounts.

*Order of Fund Balance Spending Policy:* The District has not established an order of fund balance spending policy. When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second and unassigned funds last.

*Minimum Fund Balance Policy:* The Board will attempt to maintain at least a 20% fund balance to proposed general fund expenditure ratio.

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

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

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

Unused accumulated vacation is paid out upon retirement or termination of employment. Generally, sick leave can be accumulated up to a maximum of 60 days (or 90 days for employees hired prior to July 1, 2011), but accumulated hours are not paid out upon termination of employment. The District has accrued that vacation leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources, and therefore, the liability is not reported. Compensated absences are generally liquidated by the general fund.



**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**

June 30, 2022  
(Continued)

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

**O. Estimates**

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

**P. Other Assets**

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient. Prepaid supplies are valued at cost using the first-in, first-out ("FIFO") method.

**Q. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the Wisconsin Retirement System ("WRS") and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported to WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Pensions are generally liquidated by the general fund.

**R. Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 10, 2022). There were no subsequent events that required recognition or disclosure.

**S. Implementation of GASB Statement No. 87**

For fiscal year 2022, the District implemented GASB Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 had the following effect on net position as reported June 30, 2021:

Net Position June 30, 2021	\$	14,441,229
Adjustments:		
Net book value leased assets		17,557
Lease liability		<u>(17,557)</u>
Restated Net Position June 30, 2021	\$	<u>14,441,229</u>

This adjustment had no effect on the beginning net position since the net book value of leased assets equals the amount of lease liability.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**2. Cash and Investments**

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

	<u>Custodial Balance</u>	<u>Carrying Amount</u>	<u>Risks</u>
<b>Cash:</b>			
Demand deposits	\$ 25,784	\$ (13,965)	Custodial
Money market deposit account	4,145,748	4,145,748	Custodial
Petty cash	---	75	
<b>Investment:</b>			
Wisconsin Local Government Investment Pool	2,786	2,786	Custodial
Wisconsin Investment Series Cooperative	<u>854,022</u>	<u>854,022</u>	Custodial, Credit, and Interest Rate
<b>Total cash and investments</b>	<b>\$ <u>5,028,340</u></b>	<b>\$ <u>4,988,666</u></b>	

**Reconciliation to Financial Statements:  
Per statement of net position:**

Cash	\$ 4,131,858
Investments	<u>856,808</u>
<b>Total cash and investments</b>	<b>\$ <u>4,988,666</u></b>

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

**Custodial Risk:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investment deposits was \$4,988,591 at June 30, 2022 and the custodian's carrying value was \$5,028,340 of which \$4,152,789 was fully insured and \$875,551 was uninsured or uncollateralized. The District does not have a policy regarding custodial risk for deposits.

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

<u>Type of Investment</u>	<u>Investment Maturities (in Years)</u>				<u>Total</u>
	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>	
WISC	\$ <u>854,022</u>	\$ ---	\$ ---	\$ ---	\$ <u>854,022</u>

The District has investments in WISC of \$854,022 at year end, of which \$200,268 was invested in the Cash Management Series and \$653,754 in the Investment Series Fund. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average weighted maturity is ninety days or less. The Investment Series Fund are pooled funds investing in U.S. government obligations, agencies and commercial paper. The Investment Series Fund requires a 14-day minimum investment period and one business day withdrawal notice.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by assignment of a rating by a nationally recognized rating organization. The District does not have a policy regarding credit risk. The WISC Cash Management Series and Investment Management Series have an AAAM average credit quality rating.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund (“SIF”) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants.

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

A separate financial report for SIF is prepared in accordance with GASB. Copies of the report can be obtained from <http://www.doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

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

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

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

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

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

The District has not adopted an investment policy.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**3. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Balance June 30, 2022</b>
Capital assets not being depreciated					
Land	\$ 708,822	\$ ---	\$ ---	\$ ---	\$ 708,822
Construction in progress	1,121,855	45,000	---	(1,121,855)	45,000
Total capital assets not being depreciated	1,830,677	45,000	---	(1,121,855)	753,822
Capital assets being depreciated					
Buildings	15,006,215	1,015,714	---	1,121,855	17,143,784
Site improvements	1,062,440	39,700	---	---	1,102,140
Equipment	2,398,661	72,590	28,618	---	2,442,633
Total capital assets being depreciated	18,467,316	1,128,004	28,618	1,121,855	20,688,557
Less accumulated depreciation	11,309,151	481,347	27,187	---	11,763,311
Total capital assets being depreciated, net of accumulated depreciation	7,158,165	646,657	1,431	1,121,855	8,925,246
Intangible right-to-use assets					
Leased equipment (1)	17,557	---	---	---	17,557
Less accumulated amortization	---	8,779	---	---	8,779
Net intangible right-to-use assets	17,557	8,779	---	---	8,778
Governmental activities capital assets, net of accumulated depreciation	\$ 9,006,399	\$ 682,878	\$ 1,431	\$ ---	\$ 9,687,846

Depreciation of \$481,347 and amortization of \$8,779 was expensed to unallocated depreciation and amortization on the statement of activities:

(1) See Note 1.S for adjustments to the beginning leased equipment as a result of implementing GASB 87, *Leases*.

**4. Long-Term Obligations**

Long-term obligations of the District are as follows:

<b>Type</b>	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2022</b>	<b>Amounts due within one year</b>
G.O. Promissory Note	\$ 381,818	\$ ---	\$ 50,000	\$ 331,818	\$ 50,000
Compensated absences	25,496	---	12,110	13,386	---
Lease liability (1)	17,557	---	8,667	8,890	8,890
Termination benefits (2)	---	60,000	---	60,000	20,000
	\$ 424,871	\$ 60,000	\$ 70,777	\$ 414,094	\$ 78,890

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

(1) See Note 1.S for adjustments to the beginning lease liability as a result of implementing GASB 87, *Leases*.

(2) During the year ended June 30, 2022, the District entered into an agreement to provide termination benefits to an employee who resigned. Under the agreement, the District will provide annual benefits through July 2024. Future payments for these termination benefits are as follows:

<u>Years Ended June 30,</u>	
2023	\$ 20,000
2024	20,000
2025	<u>20,000</u>
<b>Total</b>	<b>\$ <u>60,000</u></b>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2022 on long-term obligations was \$11,385 and \$10,746, respectively.

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

General obligation debt at June 30, 2022 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rate</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2022</u>
\$500,000 G.O. Promissory Note	7/31/2019	3.05%	7/31/2028	\$ 331,818

The 2021 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,112,691,207. The legal debt limit and margin of indebtedness as of June 30, 2022, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (5% of \$1,112,691,207)	\$ 55,634,560
Deduct long-term debt applicable to debt margin	<u>331,818</u>
Margin of indebtedness	<u><u>\$ 55,302,742</u></u>

Aggregate cash flow requirements for the retirement of long-term principal interest on the GO promissory note as of June 30, 2022 follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 50,000	\$ 9,482	\$ 59,482
2024	50,000	7,935	57,935
2025	50,000	6,409	56,409
2026	50,000	4,843	54,843
2027	50,000	3,297	53,297
2028-2029	81,818	2,241	84,059
<b>Totals</b>	<b>\$ <u>331,818</u></b>	<b>\$ <u>34,207</u></b>	<b>\$ <u>366,025</u></b>

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Monthly Payment Amount	Interest Rate	Balance June 30, 2022
Copiers	7/1/2020	3 years	\$ 753	3.05%	\$ 8,890

Future minimum lease payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 8,890	\$ 148	\$ 9,038

**5. Fund Balances**

As of June 30, 2022, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>
General fund:		
Prepaid expenditures	\$ 62,461	\$ ---
Unspent common school fund	---	19,799
Other special revenue	---	56,930
Debt service	---	59,048
Food service	---	119,977
Capital projects	---	1,056,173
<b>Total</b>	<b>\$ 62,461</b>	<b>\$ 1,311,927</b>

**6. Defined Benefit Pension Plan**

**Plan Description**

The Wisconsin Retirement System (“WRS”) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (“ETF”). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and 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 issued a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Vesting**

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

**Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/16) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Contributions**

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

During the reporting period (calendar year 2021), the WRS recognized \$335,461 in contributions from the employer.

Contribution rates as of June 30, 2022 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers, executives and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

**Pension Assets, Pension Expense (Revenue) and Deferred Outflows and Inflows of Resources**

At June 30, 2022, the District reported an asset of \$2,386,377 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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 asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the District's proportion was 0.0296%, which was a decrease of 0.0009% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense (revenue) of \$(206,982).

At June 30, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,855,069	\$ 277,992
Net difference between projected and actual earnings on pension plan investments	---	5,338,522
Changes in assumptions	445,216	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,268	9,309
Employer contributions subsequent to the measurement date	167,475	---
<b>Total</b>	<b>\$ 4,473,028</b>	<b>\$ 5,625,823</b>



**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Pension Assets, Pension Expense (Revenue) and Deferred Outflows and Inflows of Resources (Continued)**

The amount of \$167,475 is reported as deferred outflows related to pension, resulting from the WRS Employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023. The table presented below illustrates how the other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (revenue) in future years.

Year Ended June 30,	Net Deferred (Inflows) Outflows of Resources
2023	\$ (113,404)
2024	(649,347)
2025	(285,395)
2026	(272,123)

**Actuarial Assumptions**

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset)	December 31, 2021
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.2% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Actuarial Assumptions (Continued)**

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

**Asset Allocation Targets and Expected Returns<sup>1</sup>**  
**As of December 31, 2021**

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation</b>	<b>Long-Term Expected Nominal Rate of Return</b>	<b>Long-Term Expected Real Rate of Return<sup>2</sup></b>
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0	4.3	1.8
Inflation Sensitive	196.0	2.7	0.2
Real Estate	7.0	5.6	3.0
Private Equity/Debt	12.0	9.7	7.0
Total Core Fund <sup>3</sup>	115.0	6.6	4.0
<b>Variable Fund Asset Class</b>			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0	7.2	4.6
Total Variable Fund	100.0	6.8	4.2

<sup>1</sup>Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

<sup>2</sup>New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%

<sup>3</sup>The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

*Single Discount rate.* A single discount rate of 6.80% was used to measure the total pension liability, as opposed to a discount rate of 7.00% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.70% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

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

**Actuarial Assumptions (Continued)**

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

	<b>1% Decrease to Discount Rate (5.80%)</b>	<b>Current Discount Rate (6.80%)</b>	<b>1% Increase To Discount Rate (7.80%)</b>
District's proportionate share of the net pension (asset) liability	\$ 1,693,303	\$ (2,386,377)	\$ (5,322,988)

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

**Payables to the pension plan**

Payables to the pension plan at June 30, 2022 were \$94,314. This represents contributions earned as of June 30, 2022, but for which payment was not remitted to the pension plan until subsequent to year-end.

**7. Retirement Liability**

A former district administrator is receiving the following benefits from the District as of June 30, 2022:

Upon resignation or retirement, the District shall pay a monthly amount equal to 1.5% of their annual base wage (less any applicable FICA taxes and other payroll withholdings) for a period of 48 months. The total liability recorded at June 30, 2022 is \$22,166. Future payment amounts are as follows:

<b>Year Ended June 30,</b>	
2023	\$ 19,000
2024	3,166
	\$ 22,166

In addition, during the year ended June 30, 2022, the District paid final payments to three teachers that were eligible for monthly TSA contributions equal to 1% of their highest teaching salary for a period of 60 months.

Total payments to the retired administrator and teachers for the year ended June 30, 2022 was \$26,237.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**8. Other Post-Employment Benefits Plan**

**Description of Plan and Plan Benefits**

The District's Other Post-Employment Benefit Plan ("Plan") provides other post-employment benefits ("OPEB") for teachers. The Plan is a single-employer defined benefit OPEB plan administered by the District.

For teachers who retired prior to July 1, 2012, the Plan provides medical, dental and/or life insurance benefits or contributions to an HSA/HRA for eligible retirees and their spouses. For teachers who retire after July 1, 2012, the Plan allows the retirees to continue coverage in the group medical plan provided that the retiree self-pays the full premium amount required to continue coverage in the plan under COBRA up to a maximum of 18 months. The District is under contractual obligation to provide these post-retirement healthcare benefits.

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

Retirees currently receiving benefit payments	2
Active employees fully eligible but not yet receiving benefit payments	11
Active employees not fully eligible	<u>39</u>
<b>Number of plan participants</b>	<u><u>52</u></u>

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

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

<b>Balance 6/30/21 - measurement date 6/30/20</b>	\$	129,270
Changes for the year:		
Service cost		11,855
Interest		2,960
Changes of benefit terms		20,741
Differences between expected and actual experience		(49,405)
Changes of assumptions or other input		(52,421)
Benefit payments		<u>(7,271)</u>
Net changes		<u>(73,541)</u>
<b>Balance 6/30/22 - measurement date 6/30/21</b>	<b>\$</b>	<u><u>55,729</u></u>

OPEB liabilities are generally liquidated by the general fund.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**8. Other Post-Employment Benefits Plan (Continued)**

**Actuarial Assumptions**

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	June 30, 2021
Measurement date	June 30, 2021
Reporting date	June 30, 2022
Actuarial cost method	Entry age normal (level percent of salary)
Medical care trend	6.50% decreasing by 0.10% per year down to 5.00%, and level thereafter
Discount rate*	2.25% (based upon all years of projected payments discounted at a municipal bond rate of 2.25%)
Mortality assumptions	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)

\* Implicit in this rate is an assumed rate of inflation of 2.00%  
The discount rate decreased from 3.50% at the prior measurement date to 2.25%

**Discount Rate**

The following presents the District's net OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

	<b>1% Decrease to Discount Rate (1.25%)</b>	<b>Current Discount Rate (2.25%)</b>	<b>1% Increase To Discount Rate (3.25%)</b>
Total OPEB liability	\$ 57,174	\$ 55,729	\$ 54,315

**Healthcare Cost Trend Rates**

The following presents the District's total OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease To Healthcare Cost Trend (5.5% Decreasing To 4.0%)</b>	<b>Current Healthcare Cost Trend (6.5% Decreasing To 5.0%)</b>	<b>1% Increase To Healthcare Cost Trend (7.5% Decreasing to 6.0%)</b>
Net OPEB liability	\$ 53,501	\$ 55,729	\$ 58,299

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**8. Other Post-Employment Benefits Plan (Continued)**

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$30,166. At June 30, 2022, the District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 17,589	\$ 60,531
Changes of assumptions or other input	37,172	47,869
Net differences between projected and actual earnings on OPEB plan investments	255	---
District contributions in the current year	---	---
Benefit payments made subsequent to measurement date	14,746	---
<b>Total</b>	<b>\$ 69,762</b>	<b>\$ 108,400</b>

The amount of \$14,746 reported as deferred outflows related to OPEB resulting from employer benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

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

<b>Year Ended June 30,</b>	
2023	\$ (5,601)
2024	(5,665)
2025	(5,714)
2026	(5,745)
2027	(5,745)
Thereafter	(24,914)

**9. Commitments and Contingencies**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2022 are not likely to have a material adverse impact on the District's financial position.

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

The District has entered into a construction contract with a contractor to replace HVAC units at the Intermediate School. The total contract is \$178,165 of which \$45,000 was expensed during the year-ended June 30, 2022.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Financial Statements**  
June 30, 2022  
(Continued)

**10. Limitation on School District Revenues**

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

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

**11. Risk Management**

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

**12. Effect of New Accounting Standards on Financial Statements**

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

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*
- GASB Statement No. 96, *Subscription Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

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

**13. Adjustment due to Correction of an Error**

A prior year adjustment has been made to the June 30, 2021 governmental activities and food service fund. The adjustment corrects the June 30, 2021 deferred food service revenue balance. As a result, an adjustment of \$11,440 was made to decrease the net position of the governmental activities and food service fund balance as of June 30, 2021.

**14. Environmental Remediation**

During the year, the District was responsible for remediation of asbestos. Total clean-up costs expensed for the year end June 30, 2022 were \$57,998.

**REQUIRED SUPPLEMENTARY INFORMATION**



**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local	\$ 4,398,211	\$ 4,398,211	\$ 4,454,735	\$ 56,524
Interdistrict payments within Wisconsin	995,000	995,000	1,020,768	25,768
Intermediate sources	---	---	450	450
State	4,287,094	4,287,094	4,304,017	16,923
Federal	201,183	201,183	329,511	128,328
Other	15,000	15,000	50,040	35,040
<b>Total revenues</b>	<u>9,896,488</u>	<u>9,896,488</u>	<u>10,159,521</u>	<u>263,033</u>
<b>Expenditures:</b>				
Instruction:				
Current	4,997,777	4,997,777	4,948,753	49,024
Interdistrict	614,400	614,400	607,839	6,561
Capital outlay	50,270	50,270	50,270	---
Support Services:				
Current	2,936,481	2,936,481	3,098,928	(162,447)
Capital outlay	427,560	427,560	419,479	8,081
Debt service	---	---	9,037	(9,037)
<b>Total expenditures</b>	<u>9,026,488</u>	<u>9,026,488</u>	<u>9,134,306</u>	<u>(107,818)</u>
<b>Excess of revenues over expenditures</b>	<u>870,000</u>	<u>870,000</u>	<u>1,025,215</u>	<u>155,215</u>
<b>Other Financing Sources (uses):</b>				
Operating transfers in (out)	<u>(870,000)</u>	<u>(870,000)</u>	<u>(964,028)</u>	<u>(94,028)</u>
<b>Net change in fund balances</b>	<u>---</u>	<u>---</u>	<u>61,187</u>	<u>61,187</u>
<b>Fund Balances - Beginning of year</b>	<u>3,621,195</u>	<u>3,621,195</u>	<u>3,621,195</u>	<u>---</u>
<b>Fund Balances - End of year</b>	<u>\$ 3,621,195</u>	<u>\$ 3,621,195</u>	<u>\$ 3,682,382</u>	<u>\$ 61,187</u>

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

**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

**Budgetary Comparison Schedule**

**Special Education Fund**

Year Ended June 30, 2022

	<u>Budget Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intermediate sources	\$ ---	\$ ---	\$ 6,110	\$ 6,110
State	282,733	282,733	337,520	54,787
Federal	203,586	203,586	237,676	34,090
Other	---	---	414	414
<b>Total revenues</b>	<u>486,319</u>	<u>486,319</u>	<u>581,720</u>	<u>95,401</u>
<b>Expenditures:</b>				
Instruction:				
Current	1,038,357	1,038,357	1,038,539	(182)
Interdistrict	8,500	8,500	12,691	(4,191)
Support Services:				
Current	309,462	309,462	294,518	14,944
<b>Total expenditures</b>	<u>1,356,319</u>	<u>1,356,319</u>	<u>1,345,748</u>	<u>10,571</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(870,000)	(870,000)	(764,028)	105,972
<b>Other Financing Sources (uses):</b>				
Operating transfers in (out)	870,000	870,000	764,028	(105,972)
<b>Net change in fund balances</b>	---	---	---	---
<b>Fund Balances - Beginning of year</b>	---	---	---	---
<b>Fund Balances - End of year</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

**Schedule of Proportionate Share of the Net Pension Asset (Liability)**

Year Ended June 30, 2022

Wisconsin Retirement System  
Last 10 Fiscal Years\*

<b>WRS Fiscal Year End Date</b>	<b>Proportion of the Net Pension Asset (Liability)</b>	<b>Proportionate Share of the Net Pension Asset (Liability)</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability)</b>
12/31/2014	0.0352%	\$ 865,566	\$ 4,606,946	18.79%	102.74%
12/31/2015	0.0333%	(541,631)	4,496,622	12.05%	98.20%
12/31/2016	0.0320%	(263,745)	4,539,435	5.81%	99.12%
12/31/2017	0.0315%	934,908	4,653,219	20.09%	102.93%
12/31/2018	0.0314%	(1,116,928)	4,823,887	23.15%	96.45%
12/31/2019	0.0312%	1,005,719	4,922,266	20.43%	102.96%
12/31/2020	0.0305%	1,902,154	4,896,870	38.84%	105.26%
12/31/2021	0.0296%	2,386,377	4,949,364	48.22%	106.02%

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

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

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Contributions**  
Year Ended June 30, 2022

Wisconsin Retirement System  
Last 10 Fiscal Years\*

WRS Fiscal Year-End December 31,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 335,461	\$ 330,538	\$ 322,987	\$ 323,200	\$ 317,144	\$ 299,603	\$ 305,841	\$ 322,485
Contributions in relation to the contractually required contributions	335,461	330,538	322,987	323,200	317,144	299,603	305,841	322,485
<b>Contribution deficiency (excess)</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
District's covered payroll	\$ 4,949,364	\$ 4,896,870	\$ 4,922,266	\$ 4,823,887	\$ 4,653,219	\$ 4,539,435	\$ 4,496,622	\$ 4,606,946
Contributions as a percentage of covered payroll	6.78%	6.75%	6.56%	6.70%	6.82%	6.60%	6.80%	7.00%

**Notes to Schedule of Contributions:**

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

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

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

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

Valuation Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Actuarial Cost Method	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period	Level % of Payroll-Closed Amortization Period
Amortization Period	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)	Five-Year Smoothed Market (Closed)
Actuarial Assumptions Net Investment Rate of Return	5.4%	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Weighted Based on Assumed Rate For:								
Pre-retirement	7.0%	7.0%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Post-retirement	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases:								
Wage Inflation	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Seniority/Merit	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement benefit Adjustments**	1.9%	1.9%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Retirement Age (Experience based table of rates that are specific to the type of eligibility condition)	Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017	Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014	Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011	Last updated for the 2012 valuation pursuant to an experience study of the period 2009-2011
Mortality:								
Table	Wisconsin 2018	Wisconsin 2018	Wisconsin 2012	Wisconsin 2012	Wisconsin 2012	Wisconsin 2012	Wisconsin 2012	Wisconsin 2012
Rate	Actual WRS experience adjustment for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Actual WRS experience adjustment for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Actual WRS experience adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Actual WRS experience adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Actual WRS experience adjustment for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality	Actual WRS projected to 2017 with scale BB to all for future improvements (margin) in mortality

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Changes in Net OPEB Liability and Related Ratios**  
Year Ended June 30, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 11,855	\$ 9,956	\$ 5,115	\$ 5,288	\$ 2,992	\$ 2,992
Interest	2,960	4,152	3,483	2,345	2,487	3,769
Change of benefit terms	20,741.0	---	---	---	---	---
Differences between expected and actual experiences	(49,405.0)	---	(10,155)	25,409	(14,106)	---
Changes of assumptions or other input	(52,421)	6,991	31,462	(994)	13,926	---
Benefit payments	(7,271)	(10,967)	(2,177)	(9,990)	(34,725)	(64,270)
<b>Net change in total OPEB liability</b>	<b>(73,541)</b>	<b>10,132</b>	<b>27,728</b>	<b>22,058</b>	<b>(29,426)</b>	<b>(57,509)</b>
<b>Total OPEB liability - beginning</b>	<b>129,270</b>	<b>119,138</b>	<b>91,410</b>	<b>69,352</b>	<b>98,778</b>	<b>156,287</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 55,729</b>	<b>\$ 129,270</b>	<b>\$ 119,138</b>	<b>\$ 91,410</b>	<b>\$ 69,352</b>	<b>\$ 98,778</b>
<b>Fiduciary Net Position</b>						
Contributions - employer	\$ ---	\$ 2,354	\$ 5,490	\$ ---	\$ ---	\$ ---
Net investment income	---	4	9	26	101	147
Benefit payments	---	(10,967)	(2,177)	(9,990)	(34,725)	(64,270)
Administrative expenses	---	---	---	---	---	---
<b>Net change in fiduciary net position</b>	<b>(73,541)</b>	<b>(8,609)</b>	<b>3,322</b>	<b>(9,964)</b>	<b>(34,624)</b>	<b>(64,123)</b>
<b>Fiduciary net position - beginning</b>	<b>---</b>	<b>8,609</b>	<b>5,287</b>	<b>15,251</b>	<b>49,875</b>	<b>113,998</b>
<b>Fiduciary net position - ending (b)</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 8,609</b>	<b>\$ 5,287</b>	<b>\$ 15,251</b>	<b>\$ 49,875</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 55,729</b>	<b>\$ 129,270</b>	<b>\$ 110,529</b>	<b>\$ 86,123</b>	<b>\$ 54,101</b>	<b>\$ 48,903</b>
<b>Fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	7.23%	5.78%	21.99%	50.49%
<b>Covered-employee payroll</b>	\$ 4,536,050	\$ 4,578,708	\$ 4,578,708	\$ 2,177,714	\$ 2,177,714	\$ 1,956,533
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	1.23%	2.82%	2.41%	3.95%	2.48%	2.50%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

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

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

As of the June 30, 2020 measurement date all assets have been exhausted and the trust that held the assets has been closed.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Employer Contributions - OPEB**  
Year Ended June 30, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017
Actuarially determined contributions (ADC)	\$ ---	\$ 14,392	\$ 5,250	\$ 5,097	\$ 10,331	\$ 10,331
Contributions in relation to the ADC	---	2,354	5,490	---	---	---
<b>Contribution deficiency (excess)</b>	<b>\$ ---</b>	<b>\$ 12,038</b>	<b>\$ (240)</b>	<b>\$ 5,097</b>	<b>\$ 10,331</b>	<b>\$ 10,331</b>
Covered-employee payroll	\$ 4,536,050	\$ 4,578,708	\$ 4,578,708	\$ 2,177,714	\$ 2,177,714	\$ 1,956,533
Contributions as a percentage of covered-employee payroll	0.00%	0.05%	0.12%	0.00%	0.00%	0.00%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

**Key Methods and Assumption Used to Calculate ADC**

	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial cost method	Market Value	Market Value	Market Value	Market Value
Asset valuation method	N/A	30 year Level %	30 year Level %	5 year Level %
Amortization method	N/A	3.50%	3.50%	4.00%
Discount rate	N/A	3.00%	3.00%	3.00%
Amortization growth rate	N/A	2.50%	2.50%	3.00%
Inflation	N/A	June 30, 2019	June 30, 2017	June 30, 2015
Valuation Date				

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

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

As of the June 30, 2020 measurement date all assets have been exhausted and the trust that held the assets has been closed.

**Schedule of Investment Returns - OPEB**

Year Ended June 30, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	N/A	0.00%	0.15%	0.09%	0.12%	0.10%

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

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Required Supplementary Information**  
June 30, 2022

**Note A – Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with GAAP. 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:

	<b>General Fund</b>	<b>Special Education Fund</b>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 10,159,521	\$ 581,720
Reclassification of special education	581,720	(581,720)
Total revenues (GAAP)	10,741,241	---
<b>Expenditures</b>		
Actual amounts (budgetary basis)	9,134,306	1,345,748
Reclassification of special education	1,345,748	(1,345,748)
Total expenditures (GAAP)	10,480,054	---
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	1,025,215	(764,028)
Reclassification of special education	(764,028)	764,028
Excess of revenues over (under) expenditures (GAAP)	261,187	---
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(964,028)	764,028
Reclassification of special education	764,028	(764,028)
Total other financing sources (uses) (GAAP)	(200,000)	---
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis and GAAP)	61,187	---
<b>Fund Balance – Beginning of year</b>		
Actual amounts (budgetary basis and GAAP)	3,621,195	---
<b>Fund Balance – End of year</b>		
Actual amounts (budgetary basis and GAAP)	\$ 3,682,382	\$ ---

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Required Supplementary Information**  
June 30, 2022  
(Continued)

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

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2022:

General Fund:

Undifferentiated curriculum	\$ 3,293
Vocational curriculum	17,299
Physical curriculum	1,968
General administration	7,371
Business administration	178,410
Debt services	9,037
Other support services	14,810
Transfers to another fund	94,028
Purchased instructional services	21,581
Other non-program transactions	14,945

Special Education Fund:

Business administration	4,741
Purchased instructional services	11,479
Other non-program transactions	1,933

The excess expenditures were covered by available current year revenues and under expenditures in other areas.

**Note C – Wisconsin Retirement System**

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

*Changes of assumptions:*

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

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

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

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



**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Notes to Required Supplementary Information**  
June 30, 2022  
(Continued)

**Note D – Other Post-Employment Benefit Plan Information**

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

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

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

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

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

<b>Year Ended June 30</b>	<b>Discount Rate</b>	<b>Assumed rate of inflation</b>
2017	4.00%	3.00%
2018	4.00%	3.00%
2019	3.50%	2.50%
2020	3.50%	2.50%
2021	3.50%	2.50%
2022	2.25%	2.25%

- Mortality assumptions for the years ended June 30, 2017 through June 30, 2020 was from the Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale multiplied 50%); for the year ended June 30, 2021 this changed to Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
- Actuarial assumptions used for the years ended June 30, 2017 through June 30, 2020 was based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14; For the year ended June 30, 2021 this changed to being based on the results of an experience conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017.

**OTHER SUPPLEMENTARY INFORMATION**

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

June 30, 2022

	<u>Special Revenue Funds</u>			
	<b>Other</b>			
	<b>Special</b>	<b>Food</b>	<b>Debt</b>	
	<b>Revenue</b>	<b>Service</b>	<b>Service</b>	<b>Total</b>
<b>Assets:</b>				
Cash	\$ 56,930	\$ 136,735	\$ 59,048	\$ 252,713
Due from other governments	---	10,138	---	10,138
<b>Total assets</b>	<u>\$ 56,930</u>	<u>\$ 146,873</u>	<u>\$ 59,048</u>	<u>\$ 262,851</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ ---	\$ 3,188	\$ ---	\$ 3,188
Unearned revenues	---	23,708	---	23,708
<b>Total liabilities</b>	---	26,896	---	26,896
<b>Fund Balances:</b>				
Restricted	56,930	119,977	59,048	235,955
<b>Total fund balances</b>	<u>56,930</u>	<u>119,977</u>	<u>59,048</u>	<u>235,955</u>
<b>Total liabilities and fund balances</b>	<u>\$ 56,930</u>	<u>\$ 146,873</u>	<u>\$ 59,048</u>	<u>\$ 262,851</u>

See Independent Auditors' Report.

**MERTON COMMUNITY SCHOOL DISTRICT**

Merton, Wisconsin

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

**Nonmajor Governmental Funds**

Year Ended June 30, 2022

	<u>Special Revenue Funds</u>			
	<u>Other</u>			
	<u>Special</u>	<u>Food</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Service</u>	<u>Service</u>	<u>Total</u>
<b>Revenues:</b>				
Local	\$ 97,341	\$ 65,141	\$ 61,028	\$ 223,510
State	---	11,471	---	11,471
Federal	---	413,777	---	413,777
<b>Total revenues</b>	<b>97,341</b>	<b>490,389</b>	<b>61,028</b>	<b>648,758</b>
<b>Expenditures:</b>				
Instruction:				
Current	75,610	---	---	75,610
Capital outlay	17,064	---	---	17,064
Support Services:				
Current	3,036	339,933	---	342,969
Capital outlay	---	131,950	---	131,950
Debt service	---	---	61,015	61,015
<b>Total expenditures</b>	<b>95,710</b>	<b>471,883</b>	<b>61,015</b>	<b>628,608</b>
<b>Excess of revenues over expenditures</b>	<b>1,631</b>	<b>18,506</b>	<b>13</b>	<b>20,150</b>
<b>Net change in fund balances</b>	<b>1,631</b>	<b>18,506</b>	<b>13</b>	<b>20,150</b>
<b>Fund Balances - Beginning of year</b>	<b>55,299</b>	<b>112,911</b>	<b>59,035</b>	<b>227,245</b>
Adjustment due to correction of an error	---	(11,440)	---	(11,440)
<b>Fund Balances - Beginning of year, as adjusted</b>	<b>55,299</b>	<b>101,471</b>	<b>59,035</b>	<b>215,805</b>
<b>Fund Balances - End of year</b>	<b>\$ 56,930</b>	<b>\$ 119,977</b>	<b>\$ 59,048</b>	<b>\$ 235,955</b>

See Independent Auditors' Report.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Expenditures of State Awards**  
Year Ended June 30, 2022

Awarding Agency Pass-Through Agency <u>Award Description</u>	State I.D. <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Accrued or (Unearned) Revenue at <u>7/1/21</u>	<u>Receipts</u>	State Disbursements/ <u>Expenditures</u>	Accrued or (Unearned) Revenue at <u>6/30/22</u>	Subrecipient <u>Awards</u>
<b>Wisconsin Department of Public Instruction</b>							
Special education and school-age parents**	255.101	673528-100	\$ ---	\$ 337,520	\$ 337,520	\$ ---	\$ ---
Passed through CESA 1:							
Special education and school-age parents	255.101	749901-100	---	6,110	6,110	---	---
Total special education and school-age parents			---	343,630	343,630	---	---
State school lunch aid	255.102	673528-107	---	11,471	11,471	---	---
Common school fund library aid	255.103	673528-104	(575)	32,312	13,088	(19,799)	---
Pupil transportation	255.107	673528-102	---	9,956	9,956	---	---
Equalization aids	255.201	673528-116	51,814	3,954,137	3,902,323	---	---
Educator effective evaluation system	255.940	673528-154	---	3,960	3,960	---	---
Per pupil aid	255.945	673528-113	---	580,244	580,244	---	---
Assessments of reading readiness	255.956	673528-166	---	2,210	2,210	---	---
<b>Total Wisconsin Department of Public Instruction</b>			<b>51,239</b>	<b>4,937,920</b>	<b>4,866,882</b>	<b>(19,799)</b>	<b>---</b>
<b>Total state assistance</b>			<b>\$ 51,239</b>	<b>\$ 4,937,920</b>	<b>\$ 4,866,882</b>	<b>\$ (19,799)</b>	<b>\$ ---</b>

\*\* Total DPI aidable expenditures for the year ended June 30, 2022 were \$1,115,412

MERTON COMMUNITY SCHOOL DISTRICT  
Merton, Wisconsin

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass-Through Entity Identifying Number	Accrued or (Unearned) Revenue at 7/1/21	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/22	Subrecipient Awards
<b>U.S. Department of Agriculture</b>							
Passed through Wisconsin Department of Public Instruction:							
Child Nutrition Cluster:							
National School Lunch Program:							
Donated Commodities - noncash	10.555	Not applicable	\$ ---	\$ 24,849	\$ 24,849	\$ ---	\$ ---
Food Service Aid - Lunch	10.555	2022-673528-DPI-NSL-547	9,261	386,367	387,244	10,138	---
Total National School Lunch Program			9,261	411,216	412,093	10,138	---
Food Service Aid - Milk	10.556	2022-673528-DPI-SMP-561	---	1,684	1,684	---	---
Total Child Nutrition Cluster			9,261	412,900	413,777	10,138	---
<b>Total U.S. Department of Agriculture</b>			9,261	412,900	413,777	10,138	---
<b>U.S. Department of Education</b>							
Passed through Wisconsin Department of Public Instruction:							
Title IA Basic	84.010A	2022-673528-DPI-TIA-141	15,208	32,563	29,538	12,183	---
<i>Special Education Cluster:</i>							
Special Education - Grants to State:							
IDEA Flow Through	84.027A	2022-673528-DPI-FLOW-341	18,987	133,010	148,037	34,014	---
COVID-19 - IDEA Flow Through	84.027A	2022-673528-DPI-FLOW-344	---	32,417	32,417	---	---
Total Special Education - Grants to State			18,987	165,427	180,454	34,014	---
Special Education - Preschool Grants:							
IDEA Preschool Entitlement	84.173A	2022-673528-DPI-PRESCH-347	1,087	1,845	4,458	3,700	---
COVID-19 - IDEA Preschool Entitlement	84.173A	2022-673528-DPI-PRESCH-346	---	5,026	5,616	590	---
Total Special Education - Preschool Grants			1,087	6,871	10,074	4,290	---
Total Special Education Cluster			20,074	172,298	190,528	38,304	---
Title II-A Teacher Principal Training	84.367A	2022-673528-DPI-TIIA-365	---	13,568	13,818	250	---
Title IV-A Student Support and Academic Enrichment	84.424A	2022-673528-DPI-TIVA-381	---	1,462	2,662	1,200	---
<i>Education Stabilization Funds:</i>							
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425D	2022-673528-DPI-ESSERFII-163	25,785	85,238	124,619	65,166	---
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425U	2022-673528-DPI-ESSERFIII-165	---	18,023	35,146	17,123	---
Total Education Stabilization Funds			25,785	103,261	159,765	82,289	---
Passed through CESA #1:							
Title III-A	84.365A	2022-749901-DPI-TIIIA-391	---	450	450	---	---
<b>Total U.S. Department of Education</b>			61,067	323,602	396,761	134,226	---
<b>U.S. Department of Health and Human Services</b>							
Passed Through Wisconsin Department of Health Services:							
Medicaid Cluster:							
Medical Assistance Program	93.778	44209300	---	44,822	45,778	956	---
<b>Total U.S. Department of Health and Human Services</b>			---	44,822	45,778	956	---
<b>Total</b>			\$ 70,328	\$ 781,324	\$ 856,316	\$ 145,320	\$ ---

## MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

### Notes to Schedules of Expenditures of State and Federal Awards

June 30, 2022

#### 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards ("the Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the net financial position, changes in fund balances or cash flows for the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and *Wisconsin 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.

#### 3. Indirect Cost Rate

The District did not use the 10% de minimis indirect cost rate.

#### 4. Noncash Awards

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year are included in the federal expenditures presented in the Schedule. There are no balances outstanding as of June 30, 2022.



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

To the School Board  
Merton Community School District  
Merton, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merton Community School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2022.

**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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 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 of 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*.

### District's Response to Finding

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Reilly, Penner & Benton LLP*

November 10, 2022  
Milwaukee, Wisconsin



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

To the School Board  
Merton Community School District  
Merton, Wisconsin

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

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

We have audited Merton Community School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Wisconsin State Single Audit Guidelines that could have a direct material effect on each of the District's major federal and state programs for the year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state aid programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Wisconsin State Single Audit Guidelines. Our responsibilities under those standards, Uniform Guidance and Wisconsin 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 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, state statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the Wisconsin 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the Wisconsin 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 Wisconsin 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 major federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 may exist that have not been 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.

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

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 requirements of the Uniform Guidance and Wisconsin State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

*Reilly, Penner & Benton LLP*

November 10, 2022  
Milwaukee, Wisconsin

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Prior Audit Findings**  
Year Ended June 30, 2022

**Reference Number:** 2021-001  
**Description:** Financial Statement Preparation

*Criteria:* Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

*Condition:* The financial statements of the District should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

*Cause:* The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

*Effect:* The District's financial statements could be misstated and required footnote disclosures would be missing.

*Auditors' Recommendation:* We recommend the District assign a staff member to review the financial statements prepared by its auditors.

*Update:* This condition has not changed as of June 30, 2022. See Finding 2022-001.

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2022

**A. Summary of Auditor's Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| A. Material weakness(es) identified?  | No         |
| B. Significant deficiency(ies) identified?  | Yes        |
| 3. Noncompliance material to financial statements?  | No         |

**State Awards**

- |   |               |
|---|---------------|
| 4. Internal control over compliance:  |               |
| A. Material weakness(es) identified:  | No            |
| B. Significant deficiency(ies) identified?  | None reported |
| 5. Type of auditor's report issued on compliance for major programs   | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with Wisconsin Public State Single Audit Guidelines? | No            |
| 7. Identification of major programs:  |               |

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	Equalization Aid
255.101	Special Education and School-Age Parents

- |  |           |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$250,000 |
|--|-----------|

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2022

**A. Summary of Auditor's Results**

**Federal Awards**

9. Internal control over major programs:

- |  |               |
|--|---------------|
| A. Material weakness(es) identified:       | No            |
| B. Significant deficiency(ies) identified? | None reported |

10. Type of auditor's report issued on compliance for major programs: Unmodified

11. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

12. Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Child Nutrition Cluster:</u>
10.555	Donated Commodities - noncash
10.555	COVID-19 - Food Service Aid - Lunch
10.556	Food Service Aid - Milk

13. Dollar threshold used to distinguish between type A and type B programs \$750,000

14. Auditee qualified as low-risk auditee? No

**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2022  
(Continued)

**B. Financial Statement Findings**

**Reference Number:** 2022-001  
**Description:** Financial Statement Preparation

*Criteria:* Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

*Condition:* The financial statements of the District should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

*Cause:* The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

*Effect:* The District's financial statements could be misstated and required footnote disclosures could be missing.

*Identification of a Repeat Finding:* This is a repeat finding from previous audits, see 2021-001.

*Auditors' Recommendation:* We recommend the District continue to assign a staff member to review the financial statements prepared by its auditors.

*Views of Responsible Officials and Corrective Action Plan:* See attachment for District's corrective action plan.



**MERTON COMMUNITY SCHOOL DISTRICT**  
Merton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2022  
(Continued)

**C. State and Federal Award Findings and Questioned Costs**

None

**D. Other Issues**

- |  |     |
|--|-----|
| 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?  | No  |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin State Single Audit Guidelines? | Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  | Yes |

4. Name and signature of partner

*Katherine E Hoffman*  
Katherine E Hoffman

5. Date of Report

November 10, 2022



## Corrective Action Plan

**Reference Number: 2022-001**

**Description: Financial Statement Preparation**

*Corrective Action Plan:* The District will continue to rely on the expertise of an accounting firm to prepare the financial statements, as the cost of training is not feasible to the District. The District will continue to review a draft of the financial statements and ask questions prior to giving approval to finalize the financial statements.

*Anticipated Corrective Action Plan Completion Date:* Ongoing.

*Contact Information:* For additional information regarding this finding please contact Ron Russ, District Administrator, at 262-538-2828.