

Waterford Union High School District

Financial Statements and
Supplementary Information

June 30, 2025

Waterford Union High School District

Table of Contents
June 30, 2025

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
District-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Fiduciary Net Position - Fiduciary Funds	9
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	10
Index to Notes to Financial Statements	11
Notes to Financial Statements	12
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Special Revenue Fund - Special Education Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Special Revenue Fund - Food Service Fund	48
Schedule of Changes in the Total OPEB Liability - Health	49
Schedule of Employer Contributions - Health	50
Schedules of District's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System	51
Schedules of District's Proportionate Share of the Net OPEB Liability and Employer Contributions - Life	52
Schedule of Changes in the Total Pension Liability and Related Ratios - Single Employer Defined Benefit Pension Plan	53
Notes to Required Supplementary Information	54

Waterford Union High School District

Table of Contents
June 30, 2025

	<u>Page</u>
Supplementary Information	
Schedule of Expenditures of Federal Awards	57
Schedule of Expenditures of State Awards	58
Notes to Schedules of Expenditures of Federal and State Awards	59
Other Auditors' Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> and the <i>Department of Health Services Audit Guide</i>	60
Report on Compliance for Each State Program With Required Procedures and Report on Internal Control Over Compliance Required by the Wisconsin Department of Public Instruction	62
Schedule of Findings and Questioned Costs	65

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Education of
Waterford Union High School District

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 Waterford Union High School District (the District), as of and for the year ended June 30, 2025, 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 accompanying 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, 2025 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 1, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences*, effective July 1, 2024. Our opinions are not modified with respect to this matter.

As discussed in Note 3 to the financial statements, net position as of June 30, 2024 has been restated for the implementation of GASB Statement 101, *Compensated Absences*. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Management has omitted 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 opinions on the basic financial statements are 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 accompanying schedules of expenditures of federal and state awards as required by the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services and as required by the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction as listed in the table of contents 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 supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 4, 2025

BASIC FINANCIAL STATEMENTS

Waterford Union High School District

Statement of Net Position

June 30, 2025

Assets and Deferred Outflows of Resources

Current Assets

Cash and investments	\$ 4,366,715
Accounts receivable	46,328
Taxes receivable	2,932,980
Due from other governments	924,061
Prepaid items	25,425
Total current assets	<u>8,295,509</u>

Noncurrent Assets

Capital assets:	
Land	1,797,562
Construction in progress	1,060,953
Other capital assets (net of depreciation)	<u>26,185,026</u>
Total noncurrent assets	<u>29,043,541</u>
Total assets	<u>37,339,050</u>

Deferred Outflows of Resources

Pension related items	4,675,964
OPEB related items	<u>466,557</u>
Total deferred outflows of resources	<u>5,142,521</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Accounts payable and accrued liabilities	710,894
Accrued interest	4,200
Deposits	140,000
Current portion of long-term obligations	<u>647,877</u>
Total current liabilities	<u>1,502,971</u>

Noncurrent Liabilities

Noncurrent portion of long-term obligations	<u>4,329,319</u>
Total liabilities	<u>5,832,290</u>

Deferred Inflows of Resources

Pension related items	2,402,346
OPEB related items	<u>1,413,933</u>
Total deferred inflows of resources	<u>3,816,279</u>

Net Position

Net Investment in capital assets	28,395,655
Restricted for debt service	105,860
Restricted for capital projects	729,140
Restricted for food service	52,641
Restricted for donations	521,117
Restricted for community service	316,819
Unrestricted	<u>2,711,770</u>
Total net position	<u>\$ 32,833,002</u>

See notes to the financial statements

Waterford Union High School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 5,686,382	\$ 1,180,615	\$ 989,226	\$ (3,516,541)
Special education	2,554,156	752,426	590,382	(1,211,348)
Vocational	1,161,503	43,806	-	(1,117,697)
Other	1,995,847	121,606	2,423	(1,871,818)
Total instruction	11,397,888	2,098,453	1,582,031	(7,717,404)
Support Services				
Pupil services	2,325,671	311,930	244,752	(1,768,989)
Instructional support services	1,197,938	171,675	155,178	(871,085)
Administration	2,428,059	25,292	19,845	(2,382,922)
Buildings and grounds	2,778,335	-	-	(2,778,335)
Pupil transportation	1,967,795	1,906,807	387,419	326,431
Other support services	798,626	23,184	18,191	(757,251)
Interest and fees	81,353	-	-	(81,353)
Food service	532,518	544,820	3,658	15,960
Total support services	12,110,295	2,983,708	829,043	(8,297,544)
Nonprogram	1,935,644	362,514	284,442	(1,288,688)
Total activities	<u>\$ 25,443,827</u>	<u>\$ 5,444,675</u>	<u>\$ 2,695,516</u>	<u>(17,303,636)</u>
General Revenues				
Taxes:				
Property taxes:				
General purposes				8,477,359
Debt service				3,225,000
Other				571,711
State and federal aids not restricted to specific functions				6,017,122
Investment income				178,917
Miscellaneous				844,069
Total general revenues				19,314,178
Net change in fund balances				2,010,542
Net Position, Beginning, as Previously Reported				29,546,243
Change in accounting principle (Note 3)				1,276,217
Net Position, Beginning, as Restated				30,822,460
Net Position, Ending				<u>\$ 32,833,002</u>

See notes to the financial statements

Waterford Union High School District

Balance Sheet -
Governmental Funds
June 30, 2025

	General Fund	Special Revenue Special Education Fund	Special Revenue Food Service Fund	Debt Service Fund	Capital Projects Fund	Nonmajor		Total
						Donation Fund	Community Service Fund	
Assets								
Cash and investments	\$ 2,441,070	\$ 13,267	\$ 80,620	\$ 110,060	\$ 869,371	\$ 521,117	\$ 331,210	\$ 4,366,715
Accounts receivable	40,601	5,614	113	-	-	-	-	46,328
Taxes receivable	2,932,980	-	-	-	-	-	-	2,932,980
Due from other funds	1,442,293	-	-	-	-	-	-	1,442,293
Due from other governments	212,550	704,873	-	-	-	-	6,638	924,061
Prepaid items	25,097	188	-	-	-	-	140	25,425
Total assets	<u>\$ 7,094,591</u>	<u>\$ 723,942</u>	<u>\$ 80,733</u>	<u>\$ 110,060</u>	<u>\$ 869,371</u>	<u>\$ 521,117</u>	<u>\$ 337,988</u>	<u>9,737,802</u>
Liabilities and Fund Balances (Deficit)								
Liabilities								
Accounts payable	\$ 236,722	\$ 328,996	\$ 28,092	\$ -	\$ -	\$ -	\$ 15,000	608,810
Accrued liabilities	82,309	13,606	-	-	-	-	6,169	102,084
Deposits	-	-	-	-	140,000	-	-	140,000
Due to other funds	-	381,340	-	-	1,060,953	-	-	1,442,293
Total liabilities	<u>319,031</u>	<u>723,942</u>	<u>28,092</u>	<u>-</u>	<u>1,200,953</u>	<u>-</u>	<u>21,169</u>	<u>2,293,187</u>
Fund Balances (Deficit)								
Nonspendable	25,097	-	-	-	-	-	-	25,097
Restricted	-	-	52,641	110,060	729,140	521,117	316,819	1,729,777
Committed	514,058	-	-	-	-	-	-	514,058
Assigned	946,538	-	-	-	-	-	-	946,538
Unassigned (deficit)	<u>5,289,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,060,722)</u>	<u>-</u>	<u>-</u>	<u>4,229,145</u>
Total fund balances (deficit)	<u>6,775,560</u>	<u>-</u>	<u>52,641</u>	<u>110,060</u>	<u>(331,582)</u>	<u>521,117</u>	<u>316,819</u>	<u>7,444,615</u>
Total liabilities and fund balances	<u>\$ 7,094,591</u>	<u>\$ 723,942</u>	<u>\$ 80,733</u>	<u>\$ 110,060</u>	<u>\$ 869,371</u>	<u>\$ 521,117</u>	<u>\$ 337,988</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note 3	29,043,541
Deferred outflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds.	5,142,521
Deferred inflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds.	(3,816,279)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(4,200)
Long term liabilities, are not due and payable in the current period and therefore are not reported in the funds. See Note 3	(4,977,196)

Net Position of Governmental Activities \$ 32,833,002

See notes to the financial statements

Waterford Union High School District

Statement of Revenues, Expenditures and Changes in Fund Balances -

Governmental Funds

Year Ended June 30, 2025

	General Fund	Special Revenue Special Education Fund	Special Revenue Food Service Fund	Debt Service Fund	Capital Projects Fund	Nonmajor		Total
						Donation Fund	Community Service Fund	
Revenues								
Local	\$ 8,993,452	\$ -	\$ 544,820	\$ 3,284,676	\$ 63,073	\$ 723,925	\$ 540,263	\$ 14,150,209
Interdistrict	1,248,582	3,550,604	-	-	-	-	-	4,799,186
Intermediate	7,682	-	-	-	-	-	-	7,682
State	6,376,288	1,633,587	-	-	-	-	-	8,009,875
Federal	194,909	174,257	3,658	-	-	-	-	372,824
Other	105,302	-	-	-	-	-	-	105,302
Total revenues	16,926,215	5,358,448	548,478	3,284,676	63,073	723,925	540,263	27,445,078
Expenditures								
Instruction:								
Regular	5,397,777	-	-	-	-	-	-	5,397,777
Special education	-	2,382,817	-	-	-	-	-	2,382,817
Vocational	1,197,833	6,135	-	-	-	-	-	1,203,968
Other	1,310,382	-	-	-	-	653,873	-	1,964,255
Total instruction	7,905,992	2,388,952	-	-	-	653,873	-	10,948,817
Support services:								
Pupil services	1,388,825	986,644	-	-	-	-	-	2,375,469
Instructional support services	685,920	519,735	-	-	-	-	-	1,205,655
Administration	1,996,972	82,823	-	-	1,060,953	-	244,824	3,385,572
Buildings and grounds	1,742,773	-	-	-	-	-	141,761	1,884,554
Pupil transportation	489,063	1,480,357	-	-	-	-	-	1,969,420
Other support services	1,013,948	70,766	-	-	-	-	-	1,084,714
Debt service:								
Principal	-	-	-	6,075,000	-	-	-	6,075,000
Interest and fees	-	-	-	317,959	-	-	-	317,959
Food service	-	-	532,518	-	-	-	-	532,518
Total support services	7,317,501	3,140,325	532,518	6,392,959	1,060,953	-	386,605	18,830,861
Nonprogram:								
Purchased instructional services	627,304	217,467	-	-	-	-	-	844,771
Other nonprogram	159,309	931,563	-	-	-	-	-	1,090,872
Total nonprogram	786,613	1,149,030	-	-	-	-	-	1,935,643
Total expenditures	16,010,106	6,678,307	532,518	6,392,959	1,060,953	653,873	386,605	31,715,321
Excess (deficiency) of revenues over expenditures	916,109	(1,319,859)	15,960	(3,108,283)	(997,880)	70,052	153,658	(4,270,243)
Other Financing Sources (Uses)								
Proceeds from sale of capital assets	9,285	-	-	-	-	-	-	9,285
Transfers in	-	1,319,859	-	-	-	-	-	1,319,859
Transfers out	(1,319,859)	-	-	-	-	-	-	(1,319,859)
Total other financing sources (uses)	(1,310,574)	1,319,859	-	-	-	-	-	9,285
Net change in fund balances	(394,465)	-	15,960	(3,108,283)	(997,880)	70,052	153,658	(4,260,958)
Fund Balances, Beginning	7,170,025	-	36,681	3,218,343	666,298	451,065	163,161	11,705,573
Fund Balances (Deficit), Ending	\$ 6,775,560	\$ -	\$ 52,641	\$ 110,060	\$ (331,582)	\$ 521,117	\$ 316,819	\$ 7,444,615

See notes to the financial statements

Waterford Union High School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Net Change in Fund Balances, Total Governmental Funds \$ (4,260,958)

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

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	1,330,058
Depreciation expense reported in the Statement of Activities	(1,149,769)

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the Statement
of Net Position. Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in the
Statement of Net Position.

Principal repaid	6,075,000
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Governmental funds report debt premiums, discounts and issuance costs as other financing
sources (uses) or expenditures. However, in the Statement of Net Position, these are deferred and reported
as other assets or deductions from long-term debt. These are allocated over the period the debt is
outstanding in the Statement of Activities and are reported as interest expense.

Amortization of premium on long-term debt issued	180,848
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Some expenses reported in the Statement of Activities do not require
the use of current financial resources and therefore are not reported
as expenditures in governmental funds.

Compensated absences	(2,341)
Total OPEB liability, health	14,702
Total pension liability	23,435
Net OPEB liability, life	114,429
Net pension liability	(44,495)
Deferred outflows of resources related to pensions	(1,914,564)
Deferred inflows of resources related to pensions	1,695,080
Deferred outflows of resources related to OPEB	(108,949)
Deferred inflows of resources related to OPEB	2,337
Accrued interest on long term debt	55,729

Change in Net Position of Governmental Activities \$ 2,010,542

See notes to the financial statements

Waterford Union High School District

Statement of Fiduciary Net Position -

Fiduciary Funds

June 30, 2025

	Private Purpose Trust Fund Scholarships	Employee Benefit Trust Fund Employee Benefit
Assets		
Cash and investments	\$ 98,149	\$ 620,311
Receivables	-	1,949
Total assets	<u>\$ 98,149</u>	<u>\$ 622,260</u>
Net position		
Restricted for scholarships	\$ 98,149	\$ -
Restricted for employee benefits	-	622,260
Total net position	<u>\$ 98,149</u>	<u>\$ 622,260</u>

See notes to the financial statements

Waterford Union High School District

Statement of Changes in Fiduciary Net Position -

Fiduciary Funds

Year Ended June 30, 2025

	Private Purpose Trust Funds Scholarships	Employee Benefit Trust Fund Employee Benefit
Additions		
Investment income	\$ 675	\$ 67,281
Contributions	49,350	32,153
Total additions	50,025	99,434
Deductions		
Scholarship awards	44,750	-
Administration	-	132,172
Total deductions	44,750	132,172
Change in net position	5,275	(32,738)
Net Position, Beginning	92,874	654,998
Net Position, Ending	<u>\$ 98,149</u>	<u>\$ 622,260</u>

See notes to the financial statements

Waterford Union High School District

Index to Notes to Financial Statements

June 30, 2025

	<u>Page</u>
1. Summary of Significant Accounting Policies	12
Reporting Entity	12
District-Wide and Fund Financial Statements	12
Measurement Focus, Basis of Accounting and Financial Statement Presentation	14
Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	15
Deposits and Investments	15
Receivables	16
Prepaid Items	16
Restricted Assets	17
Capital Assets	17
Deferred Outflows of Resources	17
Compensated Absences	17
Long-Term Obligations	17
Deferred Inflows of Resources	18
Equity Classifications	18
Pension	19
Postemployment Benefits Other Than Pensions (OPEB)	20
2. Stewardship, Compliance and Accountability	20
Excess Expenditures and Other Financing Uses Over Budget	20
Deficit Balances	20
Limitations on the District's Revenues	21
3. Detailed Notes on All Funds	21
Deposits and Investments	21
Receivables	22
Capital Assets	23
Interfund Receivables/Payables and Transfers	24
Long-Term Obligations	25
Net Position/Fund Balances	26
Accounting Changes	28
4. Other Information	28
Employees' Retirement System	28
Risk Management	34
Commitments and Contingencies	35
Other Postemployment Benefits	36
Single-Employer Defined Benefit Pension Plan	43
Subsequent Event	45
Effect of New Accounting Standards on Current-Period Financial Statements	45

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies

The accounting policies of the Waterford Union High School District, Wisconsin (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

District-Wide and Fund Financial Statements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024.

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

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

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

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

The District reports the following major governmental funds:

General Fund

General Fund accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue Funds

Special Education Fund - Special Revenue Fund is used to account for and report grants and local revenues restricted or committed to providing special education services to district students.

Food Service Fund - Special Revenue Fund is used to account for and report grants and local revenues restricted or committed to supporting expenditures for the food service program.

Debt Service Fund

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets..

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Donation
Community Service

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

In addition, the District reports the following fund types:

Private-Purpose Trust Fund

Private-Purpose Trust Fund is used to account for and report any trust arrangement not properly reported in a pension trust fund or investment trust fund under which principal and income benefit individuals, private organizations or other governments.

Scholarships

Pension and Other Employee Benefit Trust Fund

Pension and Other Employee Benefit Trust Fund is used to account for and report resources that are required to be held in trust for the members and beneficiaries of employee benefit plans.

Employee Benefit

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services and interest. Other general revenues such as student fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary Funds

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

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

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

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has adopted an investment policy. That policy follows the state statute for allowable investments, except that the District is limited to investments that mature or are redeemable within three years of the date of purchase.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

No policy exists for the following risks:

Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. Amounts earned by other funds and allocated to the general fund are not significant. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note 3 for further information.

Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed values as of the prior January 1.

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable item as of January 1.

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

Property tax calendar, 2024 tax roll:

Lien date and levy date	December 2024
Tax bills mailed	December 2024
Payment in full, or	January 31, 2025
First installment due	January 31, 2025
Second installment due	July 31, 2025

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	10-40 Years
Land improvements	40 Years
Equipment	5-15 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

Vacation and sick leave pay is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2025, are determined on the basis of current salary rates and include salary related payments.

Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and OPEB liabilities.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-Wide Statements

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

- a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District Board that originally created the commitment.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The District has adopted a financial policy authorizing the Superintendent to assign amounts for a specific purpose. All positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note 3 for further information.

Fiduciary fund net position is classified as restricted for scholarships and employee benefits on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income and the District believes it is in compliance with all significant restrictions.

Pension

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

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

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

For purposes of measuring the single-employer pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, the District's single-employer pension plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from the District OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan. For this purpose, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

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

2. Stewardship, Compliance and Accountability

Excess Expenditures and Other Financing Uses Over Budget

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Debt Service Fund	\$ 3,225,000	\$ 6,392,959	\$ 3,167,959
Capital Project Fund	-	1,060,953	1,060,953
Donation Fund	542,150	653,873	111,723

The District controls expenditures at the function level. Some individual funds/functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of June 30, 2025, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Capital Project Fund	\$ 331,582	Expenditures spent in advance of a subsequent year borrowing

The Capital Project Fund deficit will be funded with long-term borrowing during fiscal year 2025/26.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Limitations on the District's Revenues

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

The 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 a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

3. Detailed Notes on All Funds

Deposits and Investments

The District's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 4,484,698	\$ 4,742,048	Custodial credit
Mutual funds	600,477	600,477	N/A
Total deposits and investments	<u>\$ 5,085,175</u>	<u>\$ 5,342,525</u>	
Reconciliation to financial statements			
Per statement of net position:			
Cash and investments	\$ 4,366,715		
Per statement of net position, fiduciary funds:			
Scholarships	98,149		
Employee benefit	<u>620,311</u>		
Total deposits and investments	<u>\$ 5,085,175</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$1,000,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2025, the banks had pledged various government securities in the amount of \$3,708,081 to secure the District's deposits.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

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

The valuation methods for recurring fair value measurements are as follows:

- Market value

Investment Type	June 30, 2025				Total
	Level 1	Level 2	Level 3		
Mutual funds	\$ 600,477	\$ -	\$ -	\$ -	\$ 600,477

Custodial Credit Risk

Deposits

Custodial credit 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 does not have any deposits exposed to custodial credit risk.

See Note 1 for further information on deposit and investment policies.

Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,797,562	\$ -	\$ -	\$ 1,797,562
Construction in progress	-	1,060,953	-	1,060,953
Total capital assets not being depreciated	<u>1,797,562</u>	<u>1,060,953</u>	<u>-</u>	<u>2,858,515</u>
Capital assets being depreciated:				
Land improvements	2,402,297	-	-	2,402,297
Buildings	37,029,864	-	-	37,029,864
Equipment	<u>2,360,556</u>	<u>269,105</u>	<u>-</u>	<u>2,629,661</u>
Total capital assets being depreciated	<u>41,792,717</u>	<u>269,105</u>	<u>-</u>	<u>42,061,822</u>
Total capital assets	<u>43,590,279</u>	<u>1,330,058</u>	<u>-</u>	<u>44,920,337</u>
Less accumulated depreciation for:				
Land improvements	(1,372,494)	(94,567)	-	(1,467,061)
Buildings	(12,609,459)	(798,416)	-	(13,407,875)
Equipment	<u>(745,074)</u>	<u>(256,786)</u>	<u>-</u>	<u>(1,001,860)</u>
Total accumulated depreciation	<u>(14,727,027)</u>	<u>(1,149,769)</u>	<u>-</u>	<u>(15,876,796)</u>
Net capital assets being depreciated	<u>27,065,690</u>	<u>(880,664)</u>	<u>-</u>	<u>26,185,026</u>
Total governmental activities capital assets, net as reported in the statement of net position	<u>\$ 28,863,252</u>	<u>\$ 180,289</u>	<u>\$ -</u>	<u>\$ 29,043,541</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

Instruction:

Regular instruction

\$ 229,954

Support services:

Buildings and grounds

919,815

Total governmental activities depreciation expense

\$ 1,149,769

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 381,340
General Fund	Capital Project Fund	1,060,953
Total, fund financial statements		1,442,293
Less fund eliminations		(1,442,293)
Total internal balances, government-wide statement of net position		<u>\$ -</u>

All amounts are due within one year.

The principal purpose of these interfunds are to eliminate deficit cash balances.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Education Fund	General Fund	<u>\$ 1,319,859</u>	Operating subsidy
Total, fund financial statements		1,319,859	
Less fund eliminations		<u>(1,319,859)</u>	
Total transfers, government-wide statement of activities		<u>\$ -</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance **</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 6,705,000	\$ -	\$ 6,075,000	\$ 630,000	\$ 465,000
(Discounts)/Premiums	198,735	-	180,848	17,887	-
Total bonds and notes payable	<u>6,903,735</u>	<u>-</u>	<u>6,255,848</u>	<u>647,887</u>	<u>465,000</u>
Other liabilities:					
Net OPEB liability, life	685,580	-	114,429	571,151	-
Total OPEB liability, health	2,447,264	-	14,702	2,432,562	-
Total pension liability	267,224	49,440	72,875	243,789	-
Compensated absences *	288,289	2,371	-	290,660	182,877
Net pension liability	<u>746,652</u>	<u>44,495</u>	<u>-</u>	<u>791,147</u>	<u>-</u>
Total other liabilities	<u>4,435,009</u>	<u>96,306</u>	<u>202,006</u>	<u>4,329,309</u>	<u>182,877</u>
Total governmental activities long-term liabilities	<u>\$ 11,338,744</u>	<u>\$ 96,306</u>	<u>\$ 6,457,854</u>	<u>\$ 4,977,196</u>	<u>\$ 647,877</u>

* The change in the compensated absences liability is presented as a net change. ** The beginning balance was adjusted for the compensated absences liability as part of implementation of GASB 101. In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2025, was \$317,166,355. Total general obligation debt outstanding at year end was \$630,000.

General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the District. Debt in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance June 30, 2025</u>
General obligation promissory notes	06/13/2019	03/01/2028	2.0-3.0%	\$ 9,530,000	\$ 630,000
Total governmental activities, general obligation debt					<u>\$ 630,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 465,000	\$ 12,600
2027	165,000	3,300
Total	<u>\$ 630,000</u>	<u>\$ 15,900</u>

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Other Debt Information

Estimated payments of other postemployment liabilities are not included in the debt service requirement schedules. The other postemployment benefits liabilities attributable to governmental activities will be liquidated primarily by the general fund.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025, \$6,335,000 of bonds outstanding are considered defeased. The bonds are callable on March 1 of 2027, 2028 and 2029 in the amounts of \$310,000, \$485,000 and \$5,540,000, respectively.

Net Position/Fund Balances

Net position reported on the district-wide statement of net position at June 30, 2025, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 1,797,562
Construction in progress	1,060,953
Other capital assets, net of accumulated depreciation	26,185,026
Less long-term debt outstanding	(630,000)
Less unamortized debt premium	<u>(17,886)</u>
Total net investment in capital assets	<u>\$ 28,395,655</u>

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2025, include the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances						
Nonspendable:						
Prepaid items	\$ 25,097	\$ -	\$ -	\$ -	\$ -	\$ 25,097
Restricted for:						
Debt Service	-	110,060	-	-	-	110,060
Food Service	-	-	-	52,641	-	52,641
Capital Projects	-	-	729,140	-	-	729,140
Donation	-	-	-	-	521,117	521,117
Community service	-	-	-	-	316,819	316,819
Committed to:						
Post employment benefits collected for Special Education Cooperative	514,058	-	-	-	-	514,058
Assigned to:						
Other post employment benefits	580,874	-	-	-	-	580,874
Subsequent years budget	365,664	-	-	-	-	365,664
Unassigned (Deficit)	<u>5,289,867</u>	<u>-</u>	<u>(1,060,722)</u>	<u>-</u>	<u>-</u>	<u>4,229,145</u>
Total fund balances (deficit)	<u>\$ 6,775,560</u>	<u>\$ 110,060</u>	<u>\$ (331,582)</u>	<u>\$ 52,641</u>	<u>\$ 837,936</u>	<u>\$ 7,444,615</u>

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Accounting Changes

Changes in Accounting Principle

In the current fiscal year, the District adopted GASB Statement No. 101, Compensated Absences. This statement provides updated guidance on the recognition and measurement of compensated absences, including vacation and sick leave that are earned but not yet used.

Restatement of Beginning Balance

As a result of this adoption, the District has adjusted the beginning net position of the current fiscal year to reflect the cumulative effect of the change in accounting principle. Management believes this change improves the relevance and comparability of the financial statements by aligning with current GASB guidance.

	June 30, 2024 as Previously Reported	Change in Accounting Principle	June 30, 2024 as Adjusted
Government-wide			
Governmental activities	\$ 29,546,243	\$ 1,276,217	\$ 30,822,460
Total government-wide	<u>\$ 29,546,243</u>	<u>\$ 1,276,217</u>	<u>\$ 30,822,460</u>

4. Other Information

Employees' Retirement System

Plan Description

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

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

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

Vesting

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

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Benefits Provided

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

Final average earnings is the average of the participant's three highest annual earnings period. 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 age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)
2024	3.6	15.0

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Contributions

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

During the reporting period, the WRS recognized \$672,946 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2025 are:

Employee Category	Employee	Employer
General (including Teachers, Executives and Elected officials)	6.90	6.90
Protective with Social Security	6.90	14.30
Protective without Social Security	6.90	19.10

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

At June 30, 2025, the District reported a liability of \$791,147 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, the District's proportion was 0.04814778%, which was a decrease of 0.00207077% from its proportion measured as of December 31, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$1,049,178.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 2,456,946	\$ 2,308,759
Changes in assumptions	234,748	-
Net differences between projected and actual earnings on pension plan investments	1,202,191	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,787	6,007
Employer contributions subsequent to the measurement date	<u>428,303</u>	<u>-</u>
Total	<u>\$ 4,341,975</u>	<u>\$ 2,314,766</u>

\$428,303 reported as deferred outflows of resources related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2026	\$ 482,357
2027	1,643,132
2028	(402,488)
2029	(124,095)

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021-December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1%-5.7%
Mortality:	2020 WRS Experience Mortality Table
Postretirement Adjustments*:	1.7%

* *No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including seniority (merit) and separation rates. The Total Pension Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Long-Term Expected Return on Plan Assets

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

Asset Allocation Targets and Expected Returns* as of December 31, 2024			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Public Equity	38	7.0	4.3
Public Fixed Income	27	6.1	3.4
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Private Equity/Debt	20	9.5	6.7
Leverage***	(12)	3.7	1.1
Total Core Fund	100	7.5	4.8
Variable Fund Asset			
U.S. Equities	70	6.5	3.8
International Equities	30	7.4	4.7
Total Variable Fund	100	6.9	4.2

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

** *New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.6%*

*** *The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%.*

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, 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%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
District's proportionate share of the net pension liability (asset)	\$ 7,421,998	\$ 791,447	\$ (3,919,881)

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>.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The District purchases commercial insurance to provide coverage for losses from (torts; theft of, damage to or destruction of assets; errors and omission; workers compensation; and health care of its employees). However, other risks, such as (torts; theft of, damage to or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the District in the general fund.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Self Insurance

On July 1, 2022 and January 1, 2023, the District established a self-funded health and dental benefit plan for its employees. The Plan administrators, Aither Health (administrator) and (administrator), are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2025.

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

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$100,000 per individual. For the year ended June 30, 2025, the aggregate claim limit was \$2,352,050. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2025, the District has reported a liability of \$179,414, which represents reported and unreported claims which were incurred on or before June 30, 2025, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2025 and June 30, 2024 are as follows:

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims, beginning	\$ 350,012	\$ 129,160
Current year claims and changes in estimates	2,103,584	2,166,542
Claim payments	<u>(2,324,436)</u>	<u>(2,116,288)</u>
Unpaid claims, ending	<u>\$ 129,160</u>	<u>\$ 179,414</u>

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

The District has active construction projects as of June 30, 2025. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Other Postemployment Benefits

General Information About the OPEB Plan

Plan Description

The District administers a single-employer defined contribution healthcare plan (the Retiree Health Plan). The plan provides health insurance benefits for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through personnel policy guidelines and state that eligible retirees and their spouses receive healthcare insurance until they are Medicare eligible at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

Benefits Provided

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. The District makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. For eligible administrators, the District contributes 70% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses for a period of eight years. For eligible teachers and support staff, the District contributes \$3,000 for each year of continuous service to a health reimbursement account.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	36
Active plan members	141
Total	177

Total OPEB Liability

The District's total OPEB liability of \$2,432,562 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

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

Inflation	2.5%
Salary increases	5.6% decreasing to .1% after 30 years of service
Healthcare cost trend rates	7.0% decreasing by 0.10% per year down to 4.5% and level thereafter
Healthcare participation rate	N/A

The discount rate was based on all years of projected payments discounted at a municipal bond rate of 4.21%.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study conducted in 2021, using Wisconsin Retirement System experience from 2018-2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2024	<u>\$ 2,447,264</u>
Changes for the year:	
Service cost	81,554
Interest	100,351
Differences between expected and actual experience	(70,421)
Changes in assumptions or other inputs	(9,712)
Benefit payments	<u>(116,474)</u>
Net changes	<u>(14,702)</u>
Balances at June 30, 2025	<u><u>\$ 2,432,562</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.13% in 2024 to 4.21% in 2025.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.21%) or 1-percentage-point higher (5.21%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,556,473	\$ 2,342,562	\$ 2,313,485

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 2,339,978	\$ 2,432,562	\$ 2,536,576

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$74,792. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,014	\$ 637,240
Changes of assumptions or other inputs	150,025	366,957
Employer contributions subsequent to the measurement date	123,227	-
Total	<u>\$ 281,266</u>	<u>\$ 1,004,197</u>

\$123,227 reported as deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30:	Amount
2025	\$ (107,113)
2026	(107,113)
2027	(107,113)
2028	(107,112)
2029	(82,250)
Thereafter	<u>(335,457)</u>
Total	<u>\$ (846,158)</u>

Local Retiree Life Insurance Fund (LRLIF)

Plan Description

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

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

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

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Benefits Provided

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

Contributions

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

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

Contribution rates for the plan year reported as of June 30, 2025 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of member contribution
25% Post Retirement Coverage	20% of member contribution

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

Life Insurance Member Contribution Rates* for the Plan Year		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit

During the reporting period, the LRLIF recognized \$3,070 in contributions from the employer.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

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

At June 30, 2025, the District reported a liability of \$571,151 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2024, the District's proportion was 0.14599000%, which was an decrease of 0.00302800% from its proportion measured as of December 31, 2023.

For the year ended June 30, 2025, the District recognized OPEB expense of \$44,448.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,418
Net differences between projected and actual earnings on plan investments	140,145	320,346
Changes in actuarial assumptions	7,844	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,600	29,972
Employer contributions subsequent to the measurement date	11,701	-
Total	<u>\$ 185,290</u>	<u>\$ 409,736</u>

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

\$11,701 reported as deferred outflows of resources related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2026	\$ (18,511)
2027	(49,473)
2028	(68,351)
2029	(63,978)
2030	(14,324)
Thereafter	(21,510)

Actuarial Assumptions

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

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability (Asset)	December 31, 2024
Experience Study:	January 1, 2021-December 31, 2023. Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	4.09%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.10%-5.7%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO 20-Bond Municipal index

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The Total OPEB Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the January 1, 2024 actuarial valuation.

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Long-Term Expected Return on Plan Assets

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

State OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2024

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interim Credit	40.00%	2.41%
U.S. Mortgages	Bloomberg U.S. MBS	60.00	2.71
Inflation			2.30
Long-Term Expected Rate of Return			4.25
Single Discount Rate			

A single discount rate of 4.09% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.32% for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2037.

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

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.09%, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease to Discount Rate (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>1% Increase to Discount Rate (5.09%)</u>
District's proportionate share of the net OPEB liability (asset)	\$ 763,423	\$ 571,151	\$ 422,987

Single-Employer Defined Benefit Pension Plan

Plan Description

The District reports a single-employer defined benefit pension plan (the stipend plan). The plan is administered by the District and provides eligible Tier 1 and 2 Teachers and Tier 1 Support Staff waiving coverage in the District's group health plan at retirement with 403(b) contributions. Eligible employees will receive \$1,500 per year of local service paid out over five years in retirement. However, Tier 2 Teachers will only be credited with years of local service through June 30, 2020. Benefit provisions are established through the District's collective bargaining agreement and certain employment agreements.

At June 30, 2025, the District plan's membership consisted of:

Retirees and beneficiaries	3
Active members	<u>9</u>
Total	<u><u>12</u></u>

The District paid \$162,901 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

Changes in Total Pension Liability

The District's change in total pension liability for the fiscal year ended June 30, 2025 was as follows:

	<u>Total Pension Liability</u>
Beginning balance	\$ 267,224
Service cost	4,203
Interest on total pension liability	9,618
Differences between expected and actual experience	36,330
Changes of assumptions or other input	(711)
Benefit payments	<u>(72,875)</u>
Ending balance	<u><u>\$ 243,789</u></u>

Waterford Union High School District

Notes to Financial Statements

June 30, 2025

Assumptions

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

Measurement Date:	June 30, 2024
Actuarial Valuation Date:	June 30, 2023
Inflation:	2.50%
Salary Changes:	5.6% down to 0.1% in 35 years; includes merit increases plus inflation
Discount Rate:	4.21%
Source of Discount Rate:	Based upon all years of project payments discounted at a municipal bond rate of 4.21%
Source of Mortality Assumptions:	2020 WRS Experience Tables for Active Employees and Healthy Retirees projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010
Dates of Experience Studies	Experience study conducted in 2021 using WRS experience from 2018-2020

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 4.21% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1-percentage-point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 252,609	\$ 243,879	\$ 235,223

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2025, the District recognized pension expense of \$27,115. The District does not report any deferred outflows of resources or deferred inflows of resources related to the single-employer define benefit pension plan as of June 30, 2025.

Waterford Union High School District

Notes to Financial Statements
June 30, 2025

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,448	\$ 73,985
Changes of assumptions or other inputs	32,640	13,595
Employer contributions subsequent to the measurement date	162,901	-
Total	<u>\$ 333,989</u>	<u>\$ 87,580</u>

\$162,901 reported as deferred outflows related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2026	\$ 13,294
2027	13,294
2028	13,294
2029	13,294
2030	13,294
Thereafter	17,038
Subsequent Event	

On July 07, 2025 the District issued general obligation promissory notes in the amount of \$14,000,000 with an interest rate of 5%. This amount will be used to remodel and make repairs on and around the school grounds.

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

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

REQUIRED SUPPLEMENTARY INFORMATION

Waterford Union High School District

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual -

General Fund

Year Ended June 30, 2025

	Budgeted		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local	\$ 8,824,270	\$ 8,952,759	\$ 8,993,452	\$ 40,693
Interdistrict	1,099,102	1,214,204	1,248,582	34,378
Intermediate	9,700	9,700	7,682	(2,018)
State	6,314,561	6,320,003	6,376,288	56,285
Federal	185,847	188,775	194,909	6,134
Other	147,500	147,500	105,302	(42,198)
Total revenues	16,580,980	16,832,941	16,926,215	93,274
Expenditures				
Instruction:				
Regular	5,027,274	5,279,235	5,397,777	(118,542)
Vocational	1,215,325	1,215,325	1,197,833	17,492
Other	1,320,577	1,320,577	1,310,382	10,195
Total instruction	7,563,176	7,815,137	7,905,992	(90,855)
Support services:				
Pupil services	927,118	927,118	1,388,825	(461,707)
Instructional support services	680,044	680,044	685,920	(5,876)
Administration	1,914,309	1,914,309	1,996,972	(82,663)
Buildings and grounds	1,805,284	1,805,284	1,742,773	62,511
Pupil transportation	407,000	407,000	489,063	(82,063)
Other support services	1,208,749	1,208,749	1,013,948	194,801
Total support services	6,942,504	6,942,504	7,317,501	(374,997)
Nonprogram:				
Purchased instructional services	576,700	576,700	627,304	(50,604)
Other nonprogram	-	-	159,309	(159,309)
Total nonprogram	576,700	576,700	786,613	(209,913)
Total expenditures	15,082,380	15,334,341	16,010,106	(675,765)
Excess of revenues over expenditures	1,498,600	1,498,600	916,109	(582,491)
Other Financing Sources (Uses)				
Proceeds from sale of assets	15,000	15,000	9,285	(5,715)
Transfer out	(1,513,600)	(1,513,600)	(1,319,859)	193,741
Total other financing sources (uses)	(1,498,600)	(1,498,600)	(1,310,574)	188,026
Net change in fund balances	\$ -	\$ -	(394,465)	\$ (394,465)
Fund Balances, Beginning			7,170,025	
Fund Balances, Ending			<u>\$ 6,775,560</u>	

See notes to the required supplementary information

Waterford Union High School District

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual -

Special Revenue Fund - Special Education Fund

Year Ended June 30, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Interdistrict	\$ 3,719,665	\$ 3,550,604	\$ (169,061)
State	1,781,949	1,633,587	(148,362)
Federal	280,967	174,257	(106,710)
Total revenues	5,782,581	5,358,448	(424,133)
Expenditures			
Instruction	2,543,856	2,388,952	154,904
Support services	3,419,695	3,140,325	279,370
Nonprogram	1,332,630	1,149,030	183,600
Total expenditures	7,296,181	6,678,307	617,874
Other Financing Sources			
Transfer in	1,513,600	1,319,859	(193,741)
Net change in fund balances	\$ -	-	\$ -
Fund Balances, Beginning		-	
Fund Balances, Ending		\$ -	

See notes to the required supplementary information

Waterford Union High School District

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual -

Special Revenue Fund - Food Service Fund

Year Ended June 30, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Local	\$ 531,900	\$ 544,820	\$ 12,920
Federal	3,400	3,658	258
Total revenues	<u>535,300</u>	<u>548,478</u>	<u>13,178</u>
Expenditures			
Food service	<u>535,300</u>	<u>532,518</u>	<u>2,782</u>
Excess (deficiency) revenues over expenditures	<u>-</u>	<u>15,960</u>	<u>15,960</u>
Net change in fund balances	<u>\$ -</u>	<u>15,960</u>	<u>\$ 15,960</u>
Fund Balances, Beginning		<u>36,681</u>	
Fund Balances, Ending		<u>\$ 52,641</u>	

See notes to the required supplementary information

Waterford Union High School District

Schedule of Changes in the Total OPEB Liability - Health
Year Ended June 30, 2025

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service cost	\$ 191,003	\$ 191,003	\$ 182,649	\$ 159,039	\$ 196,229	\$ 127,128	\$ 100,355	\$ 81,554
Interest	108,544	113,419	124,204	103,913	75,852	68,329	110,230	100,351
Changes of benefit terms	-	-	(269,901)	-	(54,220)	-	-	-
Differences between expected and actual experience	-	-	20,032	-	(317,168)	(29,210)	(427,948)	(70,421)
Changes of assumptions	-	(67,389)	(207,378)	247,972	(81,970)	(272,948)	31,824	(9,712)
Benefit payments	(165,839)	(154,679)	(167,917)	(194,000)	(60,518)	(176,518)	(145,535)	(116,474)
Net Change in Total OPEB Liability	133,708	82,354	(318,311)	316,924	(241,795)	(283,219)	(331,074)	(14,702)
Total OPEB Liability, Beginning	3,088,677	3,222,385	3,304,739	2,986,428	3,303,352	3,061,557	2,778,338	2,447,264
Total OPEB Liability, Ending	\$ 3,222,385	\$ 3,304,739	\$ 2,986,428	\$ 3,303,352	\$ 3,061,557	\$ 2,778,338	\$ 2,447,264	\$ 2,432,562

Notes to Schedule:

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

Waterford Union High School District

Schedule of Employer Contributions - Health

Year Ended June 30, 2025

	2018	2019	2020	2021	2022	2023	2024	2025
Contractually determined contribution	\$ 165,839	\$ 154,679	\$ 167,917	\$ 194,000	\$ 60,518	\$ 176,518	\$ 145,535	\$ 116,474
Contributions in relation to the contractually determined contribution	165,839	154,679	167,917	194,000	60,518	176,518	145,535	116,474
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to Schedule:

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

Waterford Union High School District

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

Wisconsin Retirement System

Year Ended June 30, 2025

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	0.05144258%	\$ 835,932	\$ 7,553,666	11%	98.20%
12/31/2016	0.05191944%	427,940	7,541,834	6%	99.12%
12/31/2017	0.05312956%	(1,577,479)	7,763,000	20%	102.93%
12/31/2018	0.05299730%	1,885,477	8,114,542	23%	96.45%
12/31/2019	0.05260913%	(1,696,358)	8,181,808	21%	102.96%
12/31/2020	0.05125693%	(3,200,041)	8,349,441	38%	105.26%
12/31/2021	0.05100060%	(4,110,742)	8,949,580	46%	106.02%
12/31/2022	0.05069201%	2,685,512	9,096,577	30%	95.72%
12/31/2023	0.05021855%	746,652	9,487,821	8%	98.85%
12/31/2024	0.04814778%	791,147	9,752,859	8%	98.79%

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended June 30, 2025

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 499,887	\$ 499,887	\$ -	\$ 7,521,183	6.65%
6/30/2017	524,197	524,197	-	7,369,125	7.11%
6/30/2018	510,785	510,785	-	7,681,159	6.65%
6/30/2019	533,963	533,963	-	7,724,260	6.91%
6/30/2020	547,609	547,609	-	7,779,731	7.04%
6/30/2021	587,933	587,933	-	8,203,568	7.17%
6/30/2022	598,572	598,572	-	8,559,056	6.99%
6/30/2023	621,906	621,906	-	8,888,038	7.00%
6/30/2024	662,370	662,370	-	10,262,616	6.45%
6/30/2025	691,150	691,150	-	10,257,763	6.74%

See notes to required supplementary information

Waterford Union High School District

Schedules of District's Proportionate Share of the Net OPEB Liability - Life

Year Ended June 30, 2025

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2017	0.14937000%	\$ 449,392	\$ 6,281,436	7.15%	44.81%
12/31/2018	0.14088300%	363,526	7,685,000	4.73%	48.69%
12/31/2019	0.15298600%	651,444	8,041,000	8.10%	37.58%
12/31/2020	0.14841200%	816,373	8,323,000	9.81%	31.36%
12/31/2021	0.14639000%	865,219	8,533,000	10.14%	29.57%
12/31/2022	0.14333800%	546,093	8,801,000	6.20%	38.81%
12/31/2023	0.14901800%	685,580	9,108,000	7.53%	33.90%
12/31/2024	0.14599000%	571,151	9,390,000	6.08%	37.20%

Schedule of Employer Contributions - Life
Year Ended June 30, 2025

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2018	\$ 7,514	\$ 7,514	\$ -	\$ 6,281,436	0.12%
6/30/2019	28,311	28,311	-	7,724,260	0.37%
6/30/2020	18,267	18,267	-	7,779,731	0.23%
6/30/2021	18,638	18,638	-	8,203,568	0.23%
6/30/2022	17,531	17,531	-	8,559,056	0.20%
6/30/2023	18,298	18,298	-	8,888,038	0.21%
6/30/2024	18,183	18,183	-	10,262,616	0.18%
6/30/2025	19,592	19,592	-	10,257,763	0.19%

See notes to required supplementary information

Waterford Union High School District

Schedule of Changes in the Total Pension Liability and Related Ratios -

Single Employer Defined Benefit Pension Plan

Year Ended June 30, 2025

Fiscal Year Ending	Beginning Balance	Changes in Benefit Terms	Ending Balance	Covered Payroll	Total Pension Liability as a Percentage of Covered Payroll
6/30/2020	\$ -	\$ 415,478	\$ 415,478	\$ 3,206,527	12.96%
6/30/2021	415,478	93,575	509,053	3,206,527	15.88%
6/30/2022	509,053	(331,089)	177,964	916,147	19.43%
6/30/2023	177,964	(33,973)	143,991	916,147	15.72%
6/30/2024	143,991	123,233	267,224	627,306	42.60%
6/30/2025	267,224	(23,435)	243,789	627,306	38.86%

See notes to required supplementary information

1. 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. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes except for the capital projects fund.

Reported budget amounts are as amended by Board of Education resolution. Budgets are adopted at the two-digit sub-function level in the general fund and at the function level for all other funds. Appropriations lapse at year-end unless specifically carried over.

2. Wisconsin Retirement System

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

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 2024 covering January 1, 2021 through December 31, 2023, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended 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 postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

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

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

Waterford Union High School District

Notes to Required Supplementary Information

June 30, 2025

3. Local Retiree Life Insurance Fund

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

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

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

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

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

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

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

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

4. OPEB Plan, Health

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

Significant methods and assumptions used in calculating the actuarially determined contribution:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	4.21%
Inflation	2.50%

Waterford Union High School District

Notes to Required Supplementary Information
June 30, 2025

5. Single Employer Defined Benefit Pension Plan

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

Significant methods and assumptions used in calculating the actuarially determined contribution:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	4.21%
Inflation	2.50%

SUPPLEMENTARY INFORMATION

Waterford Union High School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Awarding Agency/ Award Description	Assistance Listing Number	Pass- Through Agency	Pass-Through ID	Accrued Receivable 7/1/24	Expenditures	Receipts	Accrued Receivable 6/30/25
U.S. Department of Agriculture							
Child Nutrition Cluster:							
Special Milk Program for Children July 1, 2024 - June 30, 2025	10.556	WI DPI	2025-516083-DPI-SMP-548	\$ -	\$ 3,658	\$ 3,546	\$ 112
Total U.S. Department of Agriculture				-	3,658	3,546	112
U.S. Department of Education							
Special Education Cluster							
Special Education Grants to States July 1, 2023 - June 30, 2024	84.027A	WI DPI	2024-516083-DPI-I-FLOW-341	35,472	-	35,472	-
July 1, 2024 - June 30, 2025		WI DPI	2025-516083-DPI-I-FLOW-341	-	186,686	154,453	32,233
Total Special Education Cluster				35,472	186,686	189,925	32,233
Title I Grants to Local Education Agencies July 1, 2024 - June 30, 2025	84.010A	WI DPI	2025-516083-DPI-TI-A-141	-	26,187	26,187	-
COVID 19 - Education Stabilization Fund July 1, 2024 - June 30, 2025	84.425U	WI DPI	2022-516083-DPI-EBIS-165	32,532	-	32,532	-
Supporting Effective Instruction State Grants July 1, 2024 - June 30, 2025	84.367A	WI DPI	2025-516083-DPI-TII-A-365	-	24,471	24,471	-
Student Support and Academic Enrichment Program July 1, 2024 - June 30, 2025	84.424A	WI DPI	2025-516083-DPI-TIV-A-381	-	10,000	10,000	-
Career and Technical Education, Basic Grants to States July 1, 2024 - June 30, 2025	84.048	Union Grove	2025-516083-DPI-CTE-400	-	15,755	15,318	437
Total U.S. Department of Education				68,004	263,099	298,433	32,670
U.S. Department of Health and Human Services							
Medicaid Cluster:							
Medical Assistance Program July 1, 2024 - June 30, 2025	93.778	WI DHS	44242200	52	106,068	105,140	980
Total U.S. Department of Health and Human Services				52	106,068	105,140	980
Total federal awards				\$ 68,056	\$ 372,825	\$ 407,119	\$ 33,762

See notes to schedules of expenditures of federal and state awards

Waterford Union High School District

Schedule of Expenditures of State Awards

Year Ended June 30, 2025

Awarding Agency/	ID Number	Passed Through Agency ID	Accrued Receivable 7/1/24	Revenues/ Expenditures	Reimbursements	Accrued Receivable 6/30/25
Wisconsin Department of Public Instruction						
Special Education and School Age Parents	255.101	LEA-100	\$ -	\$ 1,558,199	\$ 1,549,087	\$ 9,112
Common School Fund Library Aid	255.103	LEA-104	-	53,337	53,337	-
Pupil Transportation Aid	255.107	LEA-102	-	20,291	20,291	-
Equalization Aid	255.201	LEA-116	-	5,311,159	5,311,159	-
Gen Equal Special Adjustment	255.203	LEA-118	-	165,296	165,296	-
High Cost Special Education Aid	255.210	LEA-119	-	16,966	16,966	-
Supplemental Per Pupil Aid	255.257	LEA-174	-	54,267	40,351	13,916
School Based Mental Health Services Grant	255.297	LEA-117	-	28,036	28,036	-
Early College Credit Program	255.445	LEA-178	2,592	4,654	2,064	5,182
Educator Effective Eval Sys Grants	255.940	LEA-154	-	6,919	6,919	-
Per Pupil Aid	255.945	LEA-113	-	667,800	667,800	-
Career and Technical Educ Incentive Grants	255.950	LEA-171	-	41,218	41,218	-
Robotics Lead Participation Grants	255.959	LEA-167	-	14,557	-	14,557
Aid for Special Education Transition Grants	255.960	LEA-168	-	26,533	13,267	13,266
Total Wisconsin Department of Public Instruction			2,592	7,969,232	7,915,791	56,033
Total state awards			\$ 2,592	\$ 7,969,232	\$ 7,915,791	\$ 56,033

See notes to schedules of expenditures of federal and state awards

Waterford Union High School District

Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2025

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the Schedules) include the federal and state award activity of the Waterford Union High School District (the District) under programs of the federal and state government for the year ended June 30, 2025. The information in these Schedules is presented in accordance with the *Wisconsin Public School District Audit Manual* and the *Department of Health Services Audit Guide*. Because the Schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

2. Summary of Significant Accounting Policies

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

3. Special Education and School Age Parents Program

Eligible costs for special education under project 011 were \$4,989,311 for the year ended June 30, 2025.

4. Pass-Through Agencies

The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
Union Grove	Union Grove Union High School

5. Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

6. Oversight Agency

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

OTHER AUDITORS' REPORTS

**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* and the
*Department of Health Services Audit Guide***

Independent Auditors' Report

To the Board of Education of
Waterford Union High School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford Union High School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of This Report

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 4, 2025

**Report on Compliance
for Each State Program With Required Procedures and
Report on Internal Control Over Compliance
Required by the Wisconsin Department of Public Instruction**

Independent Auditors' Report

To the Board of Education of
Waterford Union High School District

Report on Compliance for Each Program With Required Procedures

Opinion on Each Program With Required Procedures

We have audited the Waterford Union High School District's (the District) compliance with the types of compliance requirements identified in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have a direct and material effect on the District's state programs with required procedures for the year ended June 30, 2025. The District's state program that have required procedures are identified in the summary of auditors' results section of the accompanying schedule of findings and responses.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its state programs with required procedures for the year ended June 30, 2025.

Basis for Opinion on Each Program With Required Procedures

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Our responsibilities under those standards and compliance requirements 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 the state program with required procedures. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *Wisconsin Public School District Audit Manual*, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 4, 2025

Waterford Union High School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

State Programs With Required Procedures

Internal control over major programs:

Material weakness(es) identified?

 yes X no

Significant deficiencies identified that are not considered to be material weakness(es)?

 yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

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

 yes X no

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

\$250,000

State programs audited in accordance with *Wisconsin Public School District Manual*:

<u>State ID Number</u>	<u>Name of State Program</u>
255.945	Per Pupil Aid
255.201/255.203	General Aids Center

Waterford Union High School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section II - Financial Statement Findings Required to Be Reported in Accordance With Government Auditing Standards

Finding 2025-001 - Material Weakness - Internal Control Environment

Repeat of Prior Year Finding 2024-001

Criteria: A system of internal controls should be in place to achieve a higher level of reliability that errors or irregularities in the District's processes would be discovered by District staff.

Condition/Context: The District has internal controls in place to help safeguard the District's assets. During our audit, we noted certain areas where internal controls should be strengthened to ensure that assets are properly safeguarded and ensure accurate financial reporting.

Controls Over Payroll

Persons preparing the payroll are not independent of other personnel duties or restricted from access to the payroll account.

Controls Over Financial Reporting

Account reconciliations should be performed by someone independent of the processing of transactions in the account.

Cause: Due to its size, the District does not have an adequate number of employees needed to implement the ideal controls over these transaction cycles.

Effect: Internal controls that are not in place create a greater risk for both intentional and unintentional errors.

Recommendation: The District may consider and implement additional internal controls over its accounting processes to reduce the risk of misstatements to the financial records.

District Response and Corrective Action Plan: Management is in agreement with noted improvements and will evaluate and determine the most appropriate method to address these items.

Finding 2025-002 - Material Weakness - Internal Control Over Financial Reporting

Repeat of Prior Year Finding 2024-002

Criteria: Auditing Standards require the communication to the Board of significant deficiencies and material weaknesses in the year-end financial reporting process.

Condition/Context: The District's personnel do not have the necessary technical expertise in governmental accounting and reporting to prepare the District's financial statements in accordance with generally accepted accounting principles. The District has contracted with its auditing firm to perform this service.

Cause: Due to its size, the District does not have the resources to employ an individual that is able to prepare its financial statements or the schedule of expenditures of federal and state awards.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Recommendation: Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional cost that would be required to remedy the current condition.

Waterford Union High School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

District Response and Corrective Action Plan: Although management does not prepare the financial statements or schedule of expenditures of federal and state awards, draft copies of these reports are reviewed and approved prior to their issuance by management. Currently, management has not implemented controls to evaluate and determine whether the financial statements or the schedule of expenditures of federal and state awards conform to the requirements of accounting principles generally accepted in the United States of America, Uniform Grant Guidance or the *State Single Audit Guidelines*. As such, management will continue to rely on the auditors to assist in preparing the District's financial statements and schedule of expenditures of federal and state awards.

Section III - State Programs With Required Procedures Compliance Findings

None noted.

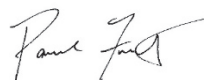
Section IV - Other Issues

Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial, noncompliance, questioned costs, material weaknesses or significant deficiencies) related to grants/contracts with funding agencies that require audits to be in accordance with the *Department of Health Services Audit Guide*: _____ yes X no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

Name and signature of principal



Paul Frantz, CPA

Date of report

December 4, 2025