

Board of Trustees
Winnefox Library System
Oshkosh, Wisconsin

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Winnefox Library System as of and for the year ended December 31, 2022, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the *Government Auditing Standards*, and the *Wisconsin Public School District Audit Manual*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated September 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Winnefox Library System are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2022.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable life of the capital assets is based on expected useful life of the capital assets. We evaluated the key factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability/asset and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability/asset and related deferred outflows/inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated REPORT DATE.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of expenditures of federal and state awards (supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the schedule to determine that the information complies with the requirements of the *Wisconsin Public School District Audit Manual*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the schedule is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the schedule to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the board of trustees and management of Winnefox Library System and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
REPORT DATE

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

**-TENTATIVE REPORT-
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO REVISION**

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
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OSHKOSH, WISCONSIN
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- TENTATIVE REPORT -
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Winnefox Library System
Oshkosh, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Winnefox Library System, Oshkosh, Wisconsin (the System), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the System, as of December 31, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Report on Summarized Comparative Information

We have previously audited the System's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information in our report dated August 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 System's basic financial statements. The schedule of expenditures of federal and state awards, as required by the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal and state awards is 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 REPORT DATE, on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
REPORT DATE

TENTATIVE REPORT -
FOR DISCUSSION PURPOSES ONLY
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BASIC FINANCIAL STATEMENTS

-TENTATIVE REPORT-
FOR DISCUSSION PURPOSES ONLY
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**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF NET POSITION
 DECEMBER 31, 2022**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	Governmental Activities	
	2022	2021
ASSETS		
Cash and Investments	\$ 2,566,060	\$ 2,589,502
Accounts Receivable	99,198	45,985
Prepaid Items	99,924	209,869
Net Pension Asset	373,944	292,955
Capital Assets, Depreciable Net	37,847	43,584
Total Assets	3,176,973	3,181,895
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	728,402	485,182
Other Postemployment Benefit Related Amounts	55,810	52,711
Total Deferred Outflows of Resources	784,212	537,893
LIABILITIES		
Accounts Payable	58,733	256,126
Accrued and Other Current Liabilities	50,535	48,333
Due to Other Governments	7,899	7,298
Unearned Revenues	70,045	93,151
Long-Term Obligations:		
Due Within One Year	35,044	40,682
Due in More than One Year	68,013	71,118
Net Other Postemployment Benefits Liability	143,776	121,192
Total Liabilities	434,045	637,900
DEFERRED INFLOWS OF RESOURCES		
State Aid for Subsequent Year	885,692	819,308
Pension Related Amounts	880,811	642,711
Other Postemployment Benefit Related Amounts	19,051	19,913
Total Deferred Inflows of Resources	1,785,554	1,481,932
NET POSITION		
Investment in Capital Assets	37,847	43,584
Restricted Pension Asset	373,944	292,955
Unrestricted	1,329,795	1,263,417
Total Net Position	\$ 1,741,586	\$ 1,599,956

See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Totals	
				2022	2021
GOVERNMENTAL ACTIVITIES					
Library Services	<u>\$ 2,152,558</u>	<u>\$ 913,111</u>	<u>\$ 241,639</u>	\$ (997,808)	\$ (794,623)
GENERAL REVENUES					
Public Library System Aid				1,092,411	944,892
Interest Income				47,027	8,529
Total General Revenues				<u>1,139,438</u>	<u>953,421</u>
CHANGE IN NET POSITION				141,630	158,798
Net Position - Beginning of Year				<u>1,599,956</u>	<u>1,441,158</u>
NET POSITION - END OF YEAR				<u>\$ 1,741,586</u>	<u>\$ 1,599,956</u>

TENTATIVE REPORT FOR DISCUSSION PURPOSES ONLY
 SUBJECT TO REVISION

See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 BALANCE SHEET
 GOVERNMENTAL FUND
 DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

	2022	2021
ASSETS		
Cash and Investments	\$ 2,566,060	\$ 2,589,502
Accounts Receivable	99,198	45,985
Prepaid Items	99,924	209,869
Total Assets	\$ 2,765,182	\$ 2,845,356
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 58,733	\$ 256,126
Accrued and Other Current Liabilities	50,535	48,333
Due to Other Governments	7,899	7,298
Unearned Revenues	70,045	93,151
Total Liabilities	187,212	404,908
DEFERRED INFLOWS OF RESOURCES		
State Aid Received for Subsequent Year	885,692	819,308
FUND BALANCE		
Nonspendable	99,924	209,869
Unassigned	1,592,354	1,411,271
Total Fund Balance	1,692,278	1,621,140
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,765,182	\$ 2,845,356

- TENTATIVE REPORT -
 FOR DISCUSSION PURPOSES ONLY
 SUBJECT TO REVISION

See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 BALANCE SHEET
 GOVERNMENTAL FUND
 DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

	2022	2021
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total Fund Balance as Shown on Previous Page	\$ 1,692,278	\$ 1,621,140
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	37,847	43,584
Net pension asset is not available to pay current period expenditures and therefore is deferred in the funds.	373,944	292,955
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds:		
Deferred Outflows Related to Pensions	728,402	485,182
Deferred Inflows Related to Pensions	(880,811)	(642,711)
Deferred Outflows Related to Other Postemployment Benefits	55,810	52,711
Deferred Inflows Related to Other Postemployment Benefits	(19,051)	(19,913)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences	(103,057)	(111,800)
Net Other Postemployment Benefits Liability	(143,776)	(121,192)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$ 1,741,586	\$ 1,599,956

- TENTATIVE REPORT -
 FOR DISCUSSION PURPOSES ONLY
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See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 YEAR ENDED DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
REVENUES		
State and Federal Aids	\$ 1,092,411	\$ 963,881
Intergovernmental	419,958	365,767
Services to Member Libraries	717,848	703,503
Sales to Libraries	16,944	7,635
Interest Income	47,027	8,529
Other Income	3,841	5,672
Total Revenues	2,298,029	2,054,987
EXPENDITURES		
Administration	331,408	302,088
Consulting	51,956	55,055
Continuing Education	117,433	108,971
County Plan	36,570	35,020
Delivery Services	150,074	132,294
Electronic Resources	90,039	38,139
Interlibrary Loan	107,343	104,275
Public Information	61,446	9,666
Services to Special Users	872	872
Services to Youth	864	1,773
Technology	317,170	240,305
WCTS Operations	210,070	198,836
WALS Operations	750,679	710,815
Other	967	-
Total Expenditures	2,226,891	1,938,109
NET CHANGE IN FUND BALANCE	71,138	116,878
Fund Balance - Beginning of Year	1,621,140	1,504,262
FUND BALANCE - END OF YEAR	\$ 1,692,278	\$ 1,621,140

See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net Change in Fund Balances as Shown on Previous Page	\$ 71,138	\$ 116,878
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital Assets Reported as Capital Outlay in Governmental Fund Statements	9,555	7,106
Depreciation Expense Reported in the Statement of Activities	(15,292)	(16,002)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	-	(39,522)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated Absences	8,743	19,970
Net Pension Liability / Asset	80,989	138,871
Deferred Outflows of Resources Related to Pensions	243,220	126,092
Deferred Inflows of Resources Related to Pensions	(238,100)	(180,221)
Other Postemployment Benefits Liability	(22,584)	(22,760)
Deferred Outflows of Resources Related to Other Postemployment Benefits	3,099	9,738
Deferred Inflows of Resources Related to Other Postemployment Benefits	862	(1,352)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	\$ 141,630	\$ 158,798

See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Budget Original and Final	Actual	Variance Final Budget - Positive (Negative)	2021 Actual
REVENUES				
State and Federal Aids	\$ 1,092,411	\$ 1,092,411	\$ -	\$ 963,881
Intergovernmental	196,004	419,958	223,954	365,767
Services to Member Libraries	905,614	717,848	(187,766)	703,503
Sales to Libraries	-	16,944	16,944	7,635
Interest Income	20,000	47,027	27,027	8,529
Other Income	2,150	3,841	1,691	5,672
Total Revenues	<u>2,216,179</u>	<u>2,298,029</u>	<u>81,850</u>	<u>2,054,987</u>
EXPENDITURES				
Current:				
Administration	352,073	331,408	20,665	302,088
Consulting	55,727	51,956	3,771	55,055
Continuing Education	122,266	117,433	4,833	108,971
County Plan	34,540	36,570	(2,030)	35,020
Delivery Services	144,680	150,074	(5,394)	132,294
Electronic Resources	83,600	90,039	(6,439)	38,139
Interlibrary Loan	111,904	107,343	4,561	104,275
Public Information	56,513	61,446	(4,933)	9,666
Services to Special Users	-	872	(872)	872
Services to Youth	758	864	(106)	1,773
Technology Support	232,276	317,170	(84,894)	240,305
WCTS Operations	209,854	210,070	(216)	198,836
WALS Operations	811,988	750,679	61,309	710,815
Other	-	967	(967)	-
Total Expenditures	<u>2,216,179</u>	<u>2,226,891</u>	<u>(10,712)</u>	<u>1,938,109</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE	-	71,138	71,138	116,878
NET CHANGE IN FUND BALANCE	-	71,138	71,138	116,878
Fund Balance - Beginning of Year	<u>1,621,140</u>	<u>1,621,140</u>	<u>-</u>	<u>1,504,262</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,621,140</u>	<u>\$ 1,692,278</u>	<u>\$ 71,138</u>	<u>\$ 1,621,140</u>

See accompanying Notes to Basic Financial Statements.

WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	Custodial Fund	
	2022	2021
ASSETS		
Cash and Investments	\$ 266,045	\$ 294,248
NET POSITION		
Restricted for library programs and services	\$ 266,045	\$ 294,248

-TENTATIVE REPORT-
 FOR DISCUSSION PURPOSES ONLY
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**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 YEAR ENDED DECEMBER 31, 2022
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Custodial Fund	
	2022	2021
ADDITIONS		
Deposits	\$ 115,473	\$ 86,273
DEDUCTIONS		
Fund Disbursements to Member Libraries	143,676	63,817
CHANGE IN NET POSITION	(28,203)	22,456
Net Position - Beginning of Year	294,248	271,792
NET POSITION - END OF YEAR	<u>\$ 266,045</u>	<u>\$ 294,248</u>

- TENTATIVE REPORT -
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See accompanying Notes to Basic Financial Statements.

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The System was established in 1977. The System, a federation of the public libraries in Green Lake, Marquette, Waushara, Winnebago, and Fond du Lac Counties, is legally deemed a joint agency of the counties. The System is governed by twenty-three member board of trustees representing the five counties.

In accordance with GAAP, the basic financial statements are required to include the System (the primary government) and any separate component units that have a significant operational or financial relationship with the System. The System has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. Government-Wide and Fund Financial Statement

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The System has no *business-type activities*.

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

The fund statements provide information about the System's funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows of resources, liabilities, fund balances, revenues and expenditures. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statement (Continued)

The System reports the following major governmental fund:

General Fund

This is the System's primary operating fund. It accounts for all financial resources of the System.

Additionally, the System reports the following fund type:

Custodial Fund

The custodial fund accounts for resources deposited by member libraries for future integrated library system upgrades and replacements in accordance with the terms of a consortium agreement with member libraries.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the System gives or receives value, without directly receiving or giving equal value in exchange, include public library systems aid, County aid, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Federal and County aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred.

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

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

**WINNEFOX LIBRARY SYSTEM
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments

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

2. Prepaid Items

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

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

3. Accounts Receivable

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

4. Capital Assets

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

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

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

Automotive	5 Years
Computer Equipment	5 Years
Office Equipment	5 to 10 Years
Software	10 Years

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Compensated Absences

Vacation

The System's policy allows employees to earn varying amounts of vacation pay based on length of service and other factors which accumulates and vests for the employees when earned and must be used within the following year. Upon retirement or termination of employment, the employee is entitled to payment of earned vacation.

Sick Leave

The System's policy allows employees to accumulate varying amounts of sick leave. Accumulated sick leave is paid at 50% upon retirement.

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability is calculated based on the pay or salary rates in effect at year-end.

6. Deferred Outflows/Inflows of Resources

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

7. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by 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.

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DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Other Postemployment Benefits Other than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense (revenue), and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Equity

Governmental Fund Financial Statements

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

- **Nonspendable fund balance.** Amounts that are not in spendable form (such as prepaid items or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed fund balance.** Amounts that are constrained for specific purposes by action of the board of trustees. These constraints can only be removed or changed by the board of trustees using the same action that was used to create them.
- **Assigned fund balance.** Amounts that are constrained for specific purposes by action of System management. The Board of Trustees has not authorized a designated person to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned fund balance.** Amounts that are available for any purpose.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (Continued)

Governmental Fund Financial Statements (Continued)

The System has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Government-Wide Statements

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

- **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. Use of Estimates

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

**WINNEFOX LIBRARY SYSTEM
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NOTE 2 STEWARDSHIP AND COMPLIANCE

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the general fund. The legally adopted budget and budgetary expenditure control is exercised at the function level. All annual appropriations lapse at year-end, except those intended to accumulate funds for future projects. Reported budget amounts are as originally approved and as amended by board of trustee resolution, if applicable.

The System's total general fund expenditures for the year ended December 31, 2022 exceeded budget by \$10,712.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The System maintains various cash and investment accounts, which are displayed in the financial statements as "Cash and Investments". Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the System's cash and investments totaled \$2,832,105 on December 31, 2022 as summarized below:

Deposits with Financial Institutions	\$ 280,574
Investments:	
Wisconsin Local Government Investment Pool	2,551,531
Total	<u>\$ 2,832,105</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	2,566,060
Fiduciary Fund Statement of Net Position:	
Custodial Fund	266,045
Total	<u>\$ 2,832,105</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The System currently has no investments that are subject to fair value measurement.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System does not have an additional custodial credit policy.

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

As of December 31, 2022, none of the System's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Investments

The System has investments in the Wisconsin Local Government Investment Pool of \$2,551,531 at year-end. The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2022, the fair value of the System's share of the LGIP's assets was substantially equal to the carrying value.

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments (Continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The System does not have an additional credit risk policy. The System's investment in the Wisconsin Local Government Investment Pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022, the Wisconsin local government investment pool had a weighted average maturity of 74 days.

B. Capital Assets

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Depreciable:				
Automotive	\$ 93,574	\$ -	\$ 22,074	\$ 71,500
Computer Equipment	145,261	9,555	-	154,816
Office Equipment	13,789	-	-	13,789
Software	25,405	-	25,405	-
Subtotals	<u>278,029</u>	<u>9,555</u>	<u>47,479</u>	<u>240,105</u>
Less Accumulated Depreciation for:				
Automotive	71,541	5,258	22,074	54,725
Computer Equipment	124,309	10,034	-	134,343
Furniture and Fixtures	-	-	-	-
Office Equipment	13,190	-	-	13,190
Software	25,405	-	25,405	-
Subtotals	<u>234,445</u>	<u>15,292</u>	<u>47,479</u>	<u>202,258</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,584</u>	<u>\$ (5,737)</u>	<u>\$ -</u>	<u>\$ 37,847</u>

Depreciation expense has been allocated to the library services function.

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations

The following is a summary of changes in long-term obligations of the System for the year ended December 31, 2022:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Compensated Absences	\$ 111,800	\$ 109,954	\$ 118,697	\$ 103,057	\$ 35,044

D Pension Plan

1. 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 1200 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 <http://etf.wi.gov/reports-and-studies/dfinancial-reports-and-statements>.

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

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

1. Plan Description (Continued)

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

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

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

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

The WRS also provides death and disability benefits for employees.

2. 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.

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

2. Postretirement Adjustments (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	2.4	17
2019	0	(10)
2020	1.7	21
2021	5.1	13

3. 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 year ended December 31, 2022, the WRS recognized \$53,742 in contributions from the System.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

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

At December 31, 2022, the System reported an asset of \$373,944 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The System's proportion of the net pension asset was based on the System's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the System's proportion was 0.00463940%, which was a decrease of 0.00005304% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the System recognized pension revenue of \$32,285.

At December 31, 2022, the System 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	\$ 604,085	\$ 43,561
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	836,544
Changes in Assumptions	69,764	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	811	706
Employer Contributions Subsequent to the Measurement Date	53,742	-
Total	<u>\$ 728,402</u>	<u>\$ 880,811</u>

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

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

\$53,742 reported as deferred outflows related to pension resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2023	\$ (17,107)
2024	(101,618)
2025	(44,682)
2026	(42,744)
Total	<u>\$ (206,151)</u>

5. Actuarial Assumption

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

5. Actuarial Assumption (Continued)

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

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity/Debt	12.0%	9.7%	7.0%
Cash	-15.0%	0.9%	N/A
Total Core Fund	100.0%	6.6%	4.0%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0%	7.4%	4.9%
Total Variable Fund	100.0%	7.1%	4.6%

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

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

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

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NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Pension Expense (Continued)

5. Actuarial Assumption (Continued)

Single Discount Rate. A single discount rate of 6.80% was used to measure the total pension liability, as opposed to discount rate of 7.00% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% 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.

Sensitivity of the System's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the System's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the System'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 (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
System's Proportionate Share of the Net Pension Liability (Asset)	\$ 265,339	\$ (373,944)	\$ (834,109)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/publications/cafr.htm>.

6. Payables to the Pension Plan

At December 31, 2022, the System reported a payable of \$8,718 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits

Local Retiree Life Insurance Fund

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 employees.

OPEB Plan Fiduciary Net Position

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

Additionally, EFT issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

Benefits Provided

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

Contributions

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

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

Contribution rates as of December 31, 2022 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Postretirement Coverage	40% of Member Contribution
25% Postretirement 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).

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

The member contribution rates in effect for the year ended December 31, 2021 are listed below:

Life Insurance Member Contribution Rates For the Year Ended December 31, 2021		
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 \$497 in contributions from the employer.

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

At December 31, 2022, the System reported a liability of \$143,776 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The System's proportion of the net OPEB liability was based on the System's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the System's proportion was 0.02432600%, which was a decrease of 0.00229400% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the System recognized OPEB expense of \$19,121.

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

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

At December 31, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 7,314
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	1,871	-
Changes in Assumptions	43,440	6,969
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	10,499	4,768
Total	<u>\$ 55,810</u>	<u>\$ 19,051</u>

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

<u>Year Ended December 31,</u>	<u>Expense</u>
2023	\$ 8,296
2024	8,079
2025	7,148
2026	8,029
2027	3,994
Thereafter	1,213
Total	<u>\$ 36,759</u>

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

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

Actuarial Assumptions. The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.17%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

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

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

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

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

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interim Credit	45%	1.68%
U.S. Long Credit Bonds	Bloomberg U.S. Long Credit	5%	1.82%
U.S. Mortgages	Bloomberg U.S.	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

Single Discount Rate. A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. 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 sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Other Postemployment Benefits (Continued)

Local Retiree Life Insurance Fund (Continued)

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

Sensitivity of the System's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate. The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 2.17%, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)
System's Proportionate Share of the Net OPEB Liability	\$ 195,052	\$ 143,776	\$ 105,193

Payable to the OPEB Plan

At December 31, 2022, the System reported a payable of \$0 for the outstanding amount of contribution to the plan required for the year ended December 31, 2022.

F. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2022, nonspendable fund balance was as follows:

General Fund:	
Nonspendable:	
Prepaid Items	<u>\$ 99,924</u>

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION

A. Risk Management

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The System completes an annual review of its insurance coverage to ensure adequate coverage. Payment of premiums for these policies are recorded as expenses of the System. Insurance settlements have not exceeded coverage in any of the past three years.

B. Concentrations

The System received approximately 48% of its funding from state aids in 2022, creating an economic dependency between the System and that source.

C. Contingencies

The System participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the System expects such amounts, if any, to be immaterial.

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

REQUIRED SUPPLEMENTARY INFORMATION

-TENTATIVE REPORT-
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO REVISION

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS**

Measurement Period 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 (Asset)
12/31/14	0.00513019%	\$ (126,012)	\$ 696,457	18.09%	102.74%
12/31/15	0.00517040%	84,018	773,855	10.86%	98.20%
12/31/16	0.00499707%	41,188	700,164	5.88%	99.12%
12/31/17	0.00501566%	(148,920)	725,932	20.51%	102.93%
12/31/18	0.00477939%	170,035	727,715	23.37%	96.45%
12/31/19	0.00477862%	(154,084)	755,275	20.40%	102.96%
12/31/20	0.00469244%	(292,955)	773,335	37.88%	105.26%
12/31/21	0.00463940%	(373,944)	789,662	47.35%	106.02%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 52,622	\$ 52,622	\$ -	773,855	6.80%
12/31/16	44,974	44,974	-	700,164	6.42%
12/31/17	49,363	49,363	-	725,932	6.80%
12/31/18	48,757	48,757	-	727,715	6.70%
12/31/19	49,470	49,470	-	755,275	6.55%
12/31/20	52,200	52,200	-	773,335	6.75%
12/31/21	53,302	53,302	-	789,662	6.75%
12/31/22	53,742	53,742	-	826,792	6.50%

See accompanying Notes to Required Supplementary Information.

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.02331400%	\$ 70,142	\$ 980,420	7.15%	44.81%
12/31/18	0.02442200%	63,017	725,000	8.69%	48.69%
12/31/19	0.02311600%	98,432	659,000	14.94%	37.58%
12/31/20	0.02203200%	121,192	756,000	16.03%	31.36%
12/31/21	0.02432600%	143,776	780,000	18.43%	29.57%

**SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 470	\$ 470	\$ -	\$ 725,000	0.06%
12/31/19	458	458	-	659,000	0.07%
12/31/20	439	439	-	756,000	0.06%
12/31/21	491	491	-	789,662	0.06%
12/31/22	497	497	-	826,792	0.06%

See accompanying Notes to Required Supplementary Information.

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions:

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

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

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

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

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

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

Benefit Terms: There were no recent changes in benefit terms

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% - 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.

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

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

**- TENTATIVE REPORT -
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO REVISION**

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

Board of Trustees
Winnefox Library System
Oshkosh, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Winnefox Library System, Oshkosh, Wisconsin, (the System) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the System's financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

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 Systems' financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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*.

Winnefox Library System's Responses to Findings

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
REPORT DATE

TENTATIVE REPORT
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO REVISIONS

FEDERAL AND STATE AWARDS

-TENATIVE REPORT-
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO REVISION

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

Board of Trustees
Winnefox Library System
Oshkosh, Wisconsin

Report on Compliance for The Major State Program

Opinion on The Major State Program

We have audited Winnefox Library System's (the System) compliance with the types of compliance requirements identified as subject to audit 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 System's major state program for the year ended December 31, 2022. The System's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Winnefox Library System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2022.

Basis for Opinion on The Major State Program

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

We are required to be independent of the System 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 major state program. Our audit does not provide a legal determination of the System'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 System's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System'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*, and the *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 System's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *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 System'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 System'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 System's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
REPORT DATE

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2022**

Grantor Agency/ Program Title	Federal Assistance Listing or State Identification Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/22	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/22	Total Expenditures	Subrecipient Payments
FEDERAL AWARDS								
Institute of Museum and Library Services: COVID-19 CARES Grant - LSTA System Aids Public	45.310	Wisconsin Dept. of Public Instruction	2022-709841-DPI-LLSTA-251	\$ -	\$ 18,572	\$ -	\$ 18,572	\$ -
LSTA System Aids Public	45.310	Wisconsin Dept. of Public Instruction	2022-709841-DPI-LLSTA-251	-	16,063	-	16,063	-
Total Expenditures of Federal Awards				\$ -	\$ 34,635	\$ -	\$ 34,635	\$ -
STATE AWARDS								
Wisconsin Department of Public Instruction: Public Library System Aid - January 1, 2022 to December 31, 2022	255.002	None	N/A	\$ 819,308	\$ 273,103	\$ -	\$ 1,092,411	\$ -
Public Library System Aid - January 1, 2023 to December 31, 2023	255.002	None	N/A	-	885,692	(885,692)	-	-
Total Expenditures of State Awards				\$ 819,308	\$ 1,158,795	\$ (885,692)	\$ 1,092,411	\$ -

TENTATIVE REPORT -
 SUBJECT TO REVISION
 FOR DISCUSSION PURPOSES

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

**WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards for the System is presented in accordance with the requirements of the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction.

The Schedule of Expenditures of Federal and State Awards includes all federal and state awards of the System. Because the schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, or changes in net position of the System.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Wisconsin Public School District Audit Manual*, Issued by the Wisconsin Department of Public Instruction, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 OVERSIGHT AGENCY

The Wisconsin Department of Public Instruction is the state oversight agency for the System.

NOTE 4 INDIRECT COSTS

The System has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

**WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2022**

Section I – Summary of Auditors’ Results

Basic Financial Statements

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

State Awards

1. Internal control over state programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for state programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the *Wisconsin Public School District Audit Manual*? yes x no

Identification of Major State Programs

State ID Number

255.002

Name of State Program or Cluster

Public Library Systems Aid

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

\$ 250,000

Auditee qualified as low-risk auditee?

 yes x no

WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

2022-001

Control Deficiencies
Segregation of Duties
Repeat of Finding 2021-001

Type of Finding

Material Weakness in Internal Control over Financial Reporting

Condition

When performing audit procedures, it was noted that the System has not adequately segregated duties. The System has a limited number of employees and one position is essentially responsible for completing all financial and recordkeeping duties of the library system. Accordingly, this does not allow for proper segregation of duties for internal control purposes.

Criteria or Specific Requirement

Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Cause

The lack of segregation of duties is due to the limited number of employees and size of the System's operations.

Effect

Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation

We recommend the Board continue to monitor the transactions and the financial records of the System. We further recommend that the System continue to evaluate its internal control environment to identify opportunities to strengthen and enhance controls over financial reporting.

Views of Responsible Officials and Planned Corrective Actions

Refer to the management response per the corrective action plan.

WINNEFOX LIBRARY SYSTEM
OSHKOSH, WISCONSIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings (Continued)

2022-002

Control Deficiencies
Preparation of Annual Financial Report
Repeat of Finding 2021-002

Type of Finding

Significant Deficiency in Internal Control over Financial Reporting

Condition

Current System staff maintain accounting records which reflect the System's financial transactions; however, preparing the System's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The System contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the System's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the System had implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.

Criteria or Specific Requirement

The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect, and correct a potential omission or misstatement in the financial statements or notes.

Cause

System management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweighs the derived benefits.

Effect

The System may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend that management and the Board continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the System's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the System is necessary to obtain a complete and adequate understanding of the System's annual financial report.

Views of Responsible Officials and Planned Corrective Actions

Refer to the management response per the corrective action plan.

WINNEFOX LIBRARY SYSTEM
 OSHKOSH, WISCONSIN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2022

Section III – State Award Findings and Questioned Costs

There are no findings and questioned costs required to be reported under the *Wisconsin Public School District Audit Manual* issued by the Wisconsin Department of Public Instruction for the year ended December 31, 2022.

Section IV – Other Issues

- | | |
|--|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue, or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>Wisconsin Public School District Manual</i> :

Department of Public Instruction | Yes |
| 3. Was a management letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of principal | <hr style="width: 100%;"/> Bryan Grunewald, CPA |
| 5. Date of report | REPORT DATE |