



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

SCHOOL DISTRICT OF MILTON

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2017

Quality service through our commitment to clients and staff.

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SCHOOL DISTRICT OF MILTON

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Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

INDEPENDENT AUDITOR'S REPORT

November 20, 2017

To the School Board
School District of Milton
Milton, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Milton ("District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Milton, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 9 and 10 to the financial statements, effective July 1, 2016, the District adopted the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Milton's basic financial statements. The other supplemental information as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Guidelines, and are also not a required part of the basic financial statements.



The other supplemental information as listed in the table of contents and schedules of awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

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

FINANCIAL HIGHLIGHTS

Total governmental assets of the District are \$41,331,071 and total deferred outflows of resources are \$8,532,012. Total governmental net position after deducting liabilities and deferred inflows of resources is \$25,764,007.

In terms of general fund operations, we had a Deficit of Revenues and Other Sources over Expenditures and Other Uses of \$290,801. This decreased our fund balance from \$7,414,147 at the beginning of the year to \$7,123,346 at year-end. This fund balance is approximately 17.9% of our general fund 2016-2017 actual expenditures. The percentage of fund balance held can be viewed in the range of healthy, yet not excessive. Because this fund balance does not meet cash flow timing needs, annual short-term borrowing is necessary. The timing issue is not unique to our district, like other school districts, we wait to receive a substantial state aid payment in early December, though our fiscal year commences July 1st.

The District experienced an increase of 51 students in enrollment (September DPI Student Headcount) in 2016-17. A portion of the increase in overall student enrollment can be attributed to a larger incoming 4-year-old kindergarten classes (MPK). In 2015-2016, our 4-year-old kindergarten resident enrollment reported to DPI was 190 students. In 2016-2017, our 4-year-old-kindergarten resident enrollment increased to 211 students. Overall, resident enrollment through 3rd grade, increased by 8 students, as the larger 3rd grade class in 2015-16 moved to Northside Intermediate School. In 2016-2017, resident students in grades 4-6 were up by 12 students. Resident students in grades 9-12 were up by 39 students. The trend shows smaller resident incoming classes than resident classes exiting the District.

On November 8, 2016, the District went to referenda for two separate questions. One question was to exceed the Revenue Limit by \$2,500,000 for five years on a non-recurring basis. The electorate voted approval for this question. The approval of the \$2,500,000 revenue limit exemption allowed for the 2016-17 Original General Fund budget to have an expected surplus of revenues over expenditures of \$478,918. In February of 2016, the Board of Education approved the Capital Maintenance Budget for 2016-17. The standard annual amount of \$450,000 was approved and included a large roofing project at Northside Intermediate School, locker painting at the Middle School and High School, as well as several projects throughout the District. In May of 2016, the Board of Education approved additional general fund dollars to support a parking lot and traffic flow improvement project at East Elementary for a projected cost of \$615,175. The project was successfully completed in July/August of 2016.

Due to the passage of the November 2016 operational referenda, the Board of Education in February of 2017 approved \$371,801 additional dollars (source of unspent general fund dollars remaining at the close of 2016-17 or Fund Balance) to be used for additional capital maintenance projects in fiscal 2016-17. The projects included ADA accessibility and safety/security upgrades at the schools, as well as replacement of aging infrastructure (HVAC, electrical, roofing). The additional projects were successfully completed in May/June of 2017.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
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The 2016-2017 fiscal year was the fourth year the District utilized an HRA (Health Reimbursement Arrangement) to lower health insurance premium costs for the District and employees. The HRA trended close to budget assumptions (60% estimated utilization, trended at 65%) and closed the fiscal year with an Assigned Fund Balance of \$125,135. A new Teacher's Compensation Model was developed to attract and retain professional staff. The new Model is aligned to the Strategic Plan and was implemented beginning with the 2016-2017 fiscal year. The District continues to participate in the 1:1 computer initiative offered to all students. The District paid off a capital lease with Apple Inc. and made the first (of four) payments on the new lease with Apple Inc. dated April 20, 2016. The District turned in older computers for a one-time revenue source of \$753,899 to offset the impact of the two capital lease payments in one fiscal year.

At nearly every meeting, the Board of Education graciously accepts gifts and donations from the community that assists programs and projects for our students and staff. Gift and donations recorded in 2016-2017 totaled \$121,930. An unexpected one-time revenue was received in 2015-16 in the amount of \$111,589.87 for a class-action settlement (WEA Insurance Corp.) regarding the Early Retiree Reinsurance Program (ERRP) part of the Affordable Care Act. In July 2016, the Board voted to approve an additional contribution to the Irrevocable Benefit Trust (Fund 73-OPEB) in the amount of \$111,589.87.

The general fund (Fund 10) reported a decrease in fund balance of \$290,801 at the end of the fiscal year. The adopted Original Budget (October) had a planned general fund balance increase of \$478,918. The food service fund (Fund 50) experienced revenues exceeding expenditures by \$18,748 and increased the food service fund balance to \$98,774. The aforementioned numbers are before the full accrual basis adjustments. On a full accrual basis, expenditures exceeded revenues by \$13,778 and fund balance reduced to a deficit of \$106,163. The department continues to look to increase student participation in the breakfast and lunch programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the comprehensive annual financial report consists of three parts: management's discussion and analysis, basic financial statements (district-wide and fund statements) including notes to the financial statements and other required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

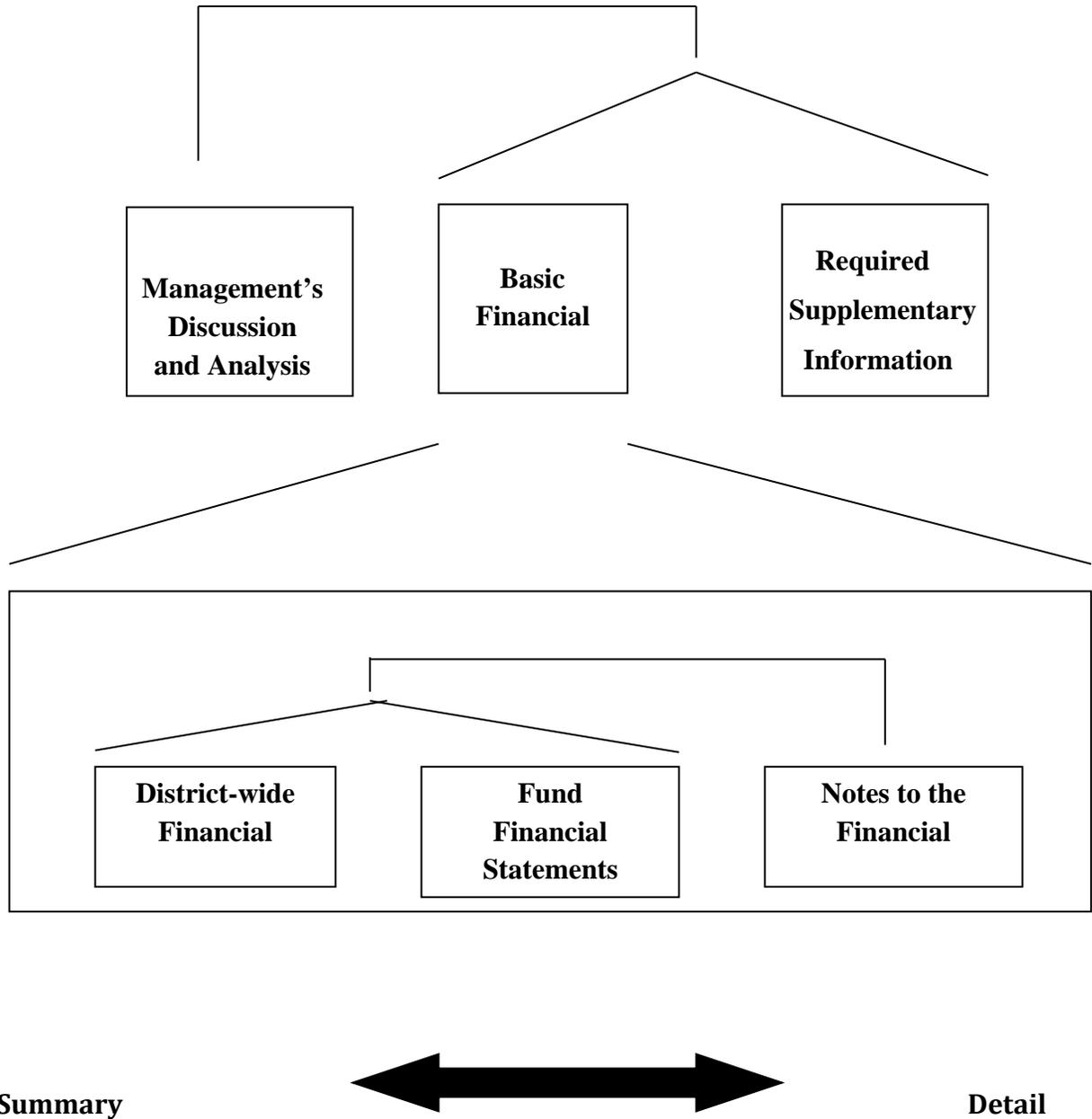
- The *Statement of Net Position* and *Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the recently completed fiscal year.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

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

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

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

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

Figure A-2 summarizes the major features of the District's financial statement, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-wide and Fund Financial Statements

FIGURE A-2	District Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire District (Except fiduciary funds).	The activities of the District that are not fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private business. The District's food service program is its only proprietary fund.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position	Statement of Fiduciary Net Position
Basis of accounting and measurement focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus	Accrual accounting Economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The two district-wide statements report the District's *Net Position* and how they have changed. Net Position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, are one way to measure the District's overall financial position.

- Increases or decreases in the District's Net Position are one indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are shown as governmental activities.

Most of the District's basic services are included here, such as regular and special education, transportation, support services, community programs and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (for example-paying its long-term debt), or to show that it is properly using certain revenues (for example-capital project funds).

The District has the following type of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental fund information does not report on long-term commitments as they are reported on the district-wide statements. Therefore, an explanation of the differences between the governmental funds and the district-wide statements is included either at the bottom of the governmental funds statements or as a separate statement.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

FINANCIAL ANALYSES

Statement of Net Position

Table 1 provides a summary of the District's Net Position for the period ended June 30, 2017. The Food Service Net Position is restricted for food service operations. The calculation of Net Position uses historical costs for facilities that may not reflect the fair value. The facilities are in fair to good condition, as we have appropriated annually for preventative maintenance. However, dollars available for such appropriation have not met total identified needs.

Table 1						
Condensed Statement of Net Position						
(in millions of dollars)						
	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>	
	2017	2016	2017	2016	2017	2016
Current & other assets	\$ 14.4	\$ 11.7	\$ 0.1	\$ 0.2	\$ 14.5	\$ 11.9
Capital assets	27.0	27.3	-	-	27.0	27.3
Total Assets	\$ 41.4	\$ 39.0	\$ 0.1	\$ 0.2	\$ 41.5	\$ 39.2
Deferred outflows	\$ 8.5	\$ 11.8	\$ 0.2	\$ 0.2	\$ 8.7	\$ 12.0
Long-term debt outstanding	\$ 2.4	\$ 4.3	\$ -	\$ -	\$ 2.4	\$ 4.3
Other liabilities	18.5	16.4	0.3	0.4	18.8	16.8
Total Liabilities	\$ 20.9	\$ 20.7	\$ 0.3	\$ 0.4	\$ 21.2	\$ 21.1
Deferred inflows	\$ 3.2	\$ 4.2	\$ 0.1	\$ 0.1	\$ 3.3	\$ 4.3
Net Investment in						
Capital Assets	\$ 24.6	\$ 23.0	\$ -	\$ -	\$ 24.6	\$ 23.0
Restricted	0.1	0.8	(0.1)	(0.1)	-	0.7
Unrestricted	1.1	2.1	-	-	1.1	2.1
Total Net Position	\$ 25.8	\$ 25.9	\$ (0.1)	\$ (0.1)	\$ 25.7	\$ 25.8

In governmental activities, the largest portion (95%) of the District's Net Position is its investment in capital assets (e.g. land, buildings and equipment), less related outstanding debt used to acquire those assets. These assets are used to provide services to students and consequently are not available for future spending.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

Table 2 shows the changes in Net Position for the fiscal year ended June 30, 2017 from all governmental activities. As shown below, general revenues provide about 85% of the funding for governmental activities. The District relies on property taxes for 36% of its governmental activity revenue.

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>School District</u>	
	2017	2016	2017	2016	2017	2016
General Revenues:						
Property taxes	\$ 15.1	\$ 13.1	\$ -	\$ -	\$ 15.1	\$ 13.1
State formula aid	20.2	19.7	-	-	20.2	19.7
Other	0.1	0.2	-	-	0.1	0.2
Total general revenues	35.4	33.0	-	-	35.4	33.0
Program revenues:						
Charges for service	2.8	2.7	0.7	0.7	3.5	3.4
Grants and Contributions	3.3	2.8	0.4	0.4	3.7	3.2
Total program revenues	6.1	5.5	1.1	1.1	7.2	6.6
Total revenues	41.5	38.5	1.1	1.1	42.6	39.6
Program Expenses:						
Instruction	23.7	21.6	-	-	23.7	21.6
Pupil & instructional services	4.1	3.1	-	-	4.1	3.1
Administration and business	4.8	5.1	-	-	4.8	5.1
Maintenance and operations	3.1	3.7	-	-	3.1	3.7
Transportation	1.6	1.4	-	-	1.6	1.4
Community service	0.2	0.1	-	-	0.2	0.1
Non-program services	3.0	2.6	-	-	3.0	2.6
Other	1.9	1.9	1.1	1.1	3.0	3.0
Total Expenses	42.4	39.5	1.1	1.1	43.5	40.6
Special Item - Gain (Loss) on Disposal	0.7	(2.4)	-	(0.1)	0.7	(2.5)
Change in Net Position	(0.2)	(3.4)	-	(0.1)	(0.2)	(1.0)
Beginning Net Position, Restated	25.9	38.7	(0.1)	0.3	25.8	39.0
Ending Net Position	\$ 25.7	\$ 35.3	\$ (0.1)	\$ 0.2	\$ 25.6	\$ 38.0

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

Capital Asset and Debt Administration

Capital Assets:

At the end of the 2017 fiscal year, the District had invested over \$55.2 million in a broad range of capital assets, including buildings, sites, library books, and equipment (see Table 3). Additional information about capital assets can be found in Note 4. Total accumulated depreciation on these assets was \$28.1 million for governmental activities and \$0.1 million for business-type activities.

- Asset acquisition for governmental activities totaled \$1,656,524 and \$0 for the food service program.
- The District recognized depreciation expense of \$1,939,421 for governmental activities and \$2,606 for the food service program during the fiscal year.
- Major capital asset additions for the year included: parking lot surface replacement, concrete entrance replacement, carpet replacement, doors replacement, roof projects, HVAC upgrades, paging system replacement, wires on clock system replacement, boardroom sound system installation, smart boards, core switches, wireless controllers, and a pickup truck.

Table 3							
Capital Assets							
(in millions of dollars)							
	<u>Governmental</u>		<u>Business-type</u>		<u>School District</u>		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Land & improvements	\$ 3.4	\$ 2.7	\$ -	\$ -	\$ 3.4	\$ 2.7	
Building & building improvements	44.8	44.1	-	-	44.8	44.1	
Equipment & furniture	6.9	6.6	0.1	0.1	7.0	6.7	
Accumulated depreciation	(28.1)	(26.1)	(0.1)	(0.1)	(28.2)	(26.2)	
Total	\$ 27.0	\$ 27.3	\$ -	\$ -	\$ 27.0	\$ 27.3	

Long-Term Debt:

At year-end, the District had \$500,000 in general obligation bonds and \$1,885,876 in capital leases outstanding. Additional information on long-term obligations can be found in Note 7.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

FUND SUMMARY

General Fund

The General Fund, the main operating fund of the District remains in a financially stable condition. Revenues were less than expenditures by \$290,801. The current general fund balance represents approximately 17 % of expenditures.

Approximately 35% of revenues come from property taxes, which are guaranteed by the County of Rock. The Board of Education certifies taxes in November to the municipal clerks. The clerks pay the District's proportionate share of collections in January and February. The balance of the taxes are then paid to the County by July 31st and remitted to the School District of Milton in August. This year taxes receivable at year-end was \$4,025,324.

The District adopts an Interim Budget at the Annual Meeting of the electors in August. The Original Budget is adopted in October when the final revenue limit calculations are completed. The Final Budget is adopted after final adjustments are calculated at year-end. The Original 2016-2017 Budget levied at the maximum allowable amount under the revenue limit. The Board of Education approved general fund revenues at \$39,705,454 and expenditures at \$39,226,536. The Original Budget had anticipated revenues exceeding expenditures by \$478,918. The difference in the slight additional increase to fund balance was primarily due to underspent expenditure budgets in various functions. The largest portion of underspent expenditure accounts related to salary and fringe benefits. The District has utilized new software (Skyward financial modules) to assist in more accurately budgeting for salary and fringe benefits. The continued goal is to get budgeted data as close to actual as possible. At the close of the second fiscal year, the Health Reimbursement Arrangement (HRA) had unspent monies at June 30, 2017 in the amount of \$125,135. These remaining funds were assigned to Fund Balance to be utilized for HRA reimbursement in 2017-2018.

Debt Service Fund

The Debt Service Funds have a fund balance at year-end of \$49,710 (\$26,333 debt service fund and \$23,377 non-referendum debt service fund). This balance is used to pay debt service principal and interest payments due in the fall through December 31st, which is prior to receiving our first property tax payment in January. Debt service payments come solely from property taxes and any interest earned on those taxes. The ending fund balance is less than the beginning fund balance and will continue to decrease as debt is retired. Any excess fund balance is the result of additional interest earnings over budget and will be used to lower the property tax levy in future years. The fund balance is reserved and can only be used for debt service payments.

The District's current Bond Rating is Aa3. Our current debt limit is \$170,359,678 (6-30-2017) and our current bonds payable principal amount outstanding is \$500,000, leaving a margin of indebtedness of \$169,859,678. This leaves us at 0.29% of our debt limit, a very good position considering districts across the state have a much higher long-term debt percentage.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

Balance of Governmental Funds

The balance of the governmental funds is either funded in part by grants or reliant on the general fund for revenue sources. They are listed in the body of the audit statement.

Factors Bearing on District's Future

In November of 2016, the District presented two questions on the ballot for consideration of the electorate. A five year non-recurring revenue limit exemption for \$2,500,000 was approved. Without the additional funds, the District was facing an anticipated shortfall of \$2,021,082 for 2016-2017. The second question asking for \$87,000,000 for the purpose of issuing general obligation bonds "for the public purposed of paying the cost a new school building and improvement program consisting of ADA accessibility requirements, safety, security and capital maintenance improvements at District facilities; additions, renovations and improvements to provide for reconfiguration of grade levels at all District schools and conversions of the current high school to the middle school; construction of a new high school with a swimming pool on land adjacent to the current high school owned by the District; and acquisition of furnishings, fixtures, and equipment" This question failed by a margin of 49% (yes) to 51% (no). A subsequent event was a special referenda held in November of 2017. The District presented one question on the ballot for consideration of the electorate. The question posed was asking for \$69,900,000 for capital projects similar to November 2016, which include included a new high school, addition to East Elementary, and conversion of the current high school to a middle school. Removed from the capital question in 2017 included other projects addressing existing ADA accessibility requirements, safety, security and capital maintenance improvements at District facilities. The special referenda failed by a margin of 45% (yes) to 55% (no). The Board of Education will continue to discuss any next steps in the near future.

Our current long-term debt obligations will be paid in full with the March 2019 payment. Long term debt is part of shared cost (State Equalized Aid), and our District has been a recipient of a high percentage of state aid. The elimination of shared cost for debt service will be a factor that impacts the District financially. The District continues to try to address aging facilities, limited and appropriate classroom space, and ADA and safety/security concerns with limited funds to address the instructional and facility upgrades needed. The projects discussed relate to the Strategic Plan the Board of Education has approved. We have accomplished addressing some of the aforementioned concerns within our operational budget, but do not feel this will be sustainable over time without other budgetary reductions. We continue to realize an increase in special education students and students that suffer with mental health issues. Addressing these student needs impacts the District financially. Changes made at the state and national level remain a fiscal concern, and will be monitored to the best of our ability. Examples include, but are not limited to, the provisions and requirements of the federal Affordable Care Act for health insurance and any changes with the state voucher and open enrollment programs, and any pending legislative or budgetary changes with the new state biennial budget forthcoming in 2019-2021. We will need to continue to monitor the operational budget and plan for the near future when the five year non-recurring revenue limit support ends. The \$2,500,000 level amount asked for and supported by the electorate was not intended to balance the budget all five years. Inflationary components (wages, benefits, transportation, utilities, etc.), coupled with additional demands on the instructional and Building and Grounds budgets cause further analysis in future years.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2017

Subsequent to fiscal year 2017, the District approved two temporary borrowings totaled not to exceed \$4,325,000 for cash flow purposes for the 2017-2018 fiscal year. The interest rates are 1.812% and 3.0%, respectively.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Services, School District of Milton, 448 E. High Street, Milton, WI 53563 at (608) 868-9200.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 9,479,172	\$ 134,676	\$ 9,613,848
Restricted Cash and Investments	49,710	-	49,710
Receivables:			
Taxes	4,025,324	-	4,025,324
Accounts	19,962	3,801	23,763
Prepaid Expenses	53,278	-	53,278
Due from Other Governments	732,125	5,597	737,722
Total Current Assets	<u>14,359,571</u>	<u>144,074</u>	<u>14,503,645</u>
Noncurrent Assets:			
Land and Land Improvements	3,375,757	-	3,375,757
Buildings and Building Improvements	44,785,584	-	44,785,584
Furniture and Equipment	6,867,928	138,479	7,006,407
Less: Accumulated Depreciation	<u>(28,057,769)</u>	<u>(115,445)</u>	<u>(28,173,214)</u>
Net Capital Assets	<u>26,971,500</u>	<u>23,034</u>	<u>26,994,534</u>
Total Noncurrent Assets	<u>26,971,500</u>	<u>23,034</u>	<u>26,994,534</u>
Total Assets	<u>41,331,071</u>	<u>167,108</u>	<u>41,498,179</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Outflows	1,064,053	33,927	1,097,980
Deferred Pension Outflows	7,403,408	123,475	7,526,883
Deferred Pension Stipend Outflows	64,551	-	64,551
	<u>8,532,012</u>	<u>157,402</u>	<u>8,689,414</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 49,863,083</u>	<u>\$ 324,510</u>	<u>\$ 50,187,593</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 338,692	\$ -	\$ 338,692
Accrued Liabilities:			
Payroll and Related Items	4,020,733	-	4,020,733
Interest	18,630	-	18,630
Due to Fiduciary Funds	195,179	6,223	201,402
Due to other governments	108	-	108
Short-Term Borrowing	2,500,000	-	2,500,000
Current Portion of Long-Term Obligations	1,002,815	-	1,002,815
Total Current Liabilities	<u>8,076,157</u>	<u>6,223</u>	<u>8,082,380</u>
Noncurrent Liabilities:			
Net Pension Liability	1,022,276	17,050	1,039,326
Noncurrent Portion of Long-Term Obligations	1,383,061	-	1,383,061
Supplemental Pension Liability	526,471	-	526,471
Net OPEB Liability	9,863,060	314,486	10,177,546
Total Noncurrent Liabilities	<u>12,794,868</u>	<u>331,536</u>	<u>13,126,404</u>
Total Liabilities	<u>20,871,025</u>	<u>337,759</u>	<u>21,208,784</u>
DEFERRED INFLOWS OF RESOURCES			
Food Service Deposits	-	39,076	39,076
Deferred Pension Inflows	3,228,051	53,838	3,281,889
Total Deferred Inflows of Resources	<u>3,228,051</u>	<u>92,914</u>	<u>3,320,965</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	24,585,624	23,034	24,608,658
Restricted	88,576	-	88,576
Unrestricted (Deficit)	1,089,807	(129,197)	960,610
Total Net Position	<u>25,764,007</u>	<u>(106,163)</u>	<u>25,657,844</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 49,863,083</u>	<u>\$ 324,510</u>	<u>\$ 50,187,593</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction						
Regular Instruction	\$ 16,044,278	\$ 2,004,538	\$ 1,073,005	\$ (12,966,735)	\$ -	\$ (12,966,735)
Vocational Instruction	1,176,835	7,910	15,397	(1,153,528)	-	(1,153,528)
Special Education Instruction	4,422,961	60,587	1,419,417	(2,942,957)	-	(2,942,957)
Other Instruction	2,108,116	215,193	-	(1,892,923)	-	(1,892,923)
Total Instruction	23,752,190	2,288,228	2,507,819	(18,956,143)	-	(18,956,143)
Support Services						
Pupil Services	1,600,930	31,371	323,220	(1,246,339)	-	(1,246,339)
Instructional Staff Services	2,498,900	-	313,535	(2,185,365)	-	(2,185,365)
General Administration Services	1,598,383	72,899	-	(1,525,484)	-	(1,525,484)
Building Administration Services	2,360,534	568	-	(2,359,966)	-	(2,359,966)
Business Services	890,404	-	375	(890,029)	-	(890,029)
Operations and Maintenance	3,137,463	40,000	-	(3,097,463)	-	(3,097,463)
Pupil Transportation	1,556,584	98,322	175,581	(1,282,681)	-	(1,282,681)
Central Services	168,480	-	3,145	(165,335)	-	(165,335)
Insurance	288,902	25,231	-	(263,671)	-	(263,671)
Interest and Fiscal Charges on Debt	34,432	-	-	(34,432)	-	(34,432)
Other Support Services	175,161	-	-	(175,161)	-	(175,161)
Community Services	166,089	77,247	-	(88,842)	-	(88,842)
Depreciation	1,277,087	-	-	(1,277,087)	-	(1,277,087)
Total Support Services	15,753,349	345,638	815,856	(14,591,855)	-	(14,591,855)
Purchased and Non-Program Services	2,956,221	152,003	-	(2,804,218)	-	(2,804,218)
Total Governmental Activities	42,461,760	2,785,869	3,323,675	(36,352,216)	-	(36,352,216)
Business-Type Activities						
Food Service Program	1,068,899	683,392	400,589	-	15,082	15,082
Total Business-Type Activities	1,068,899	683,392	400,589	-	15,082	15,082
Total Governmental and Business-Type Activities	\$ 43,530,659	\$ 3,469,261	\$ 3,724,264	(36,352,216)	15,082	(36,337,134)
General revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				14,367,225	-	14,367,225
Property Taxes, Levied for Debt Service				567,380	-	567,380
Property Taxes, Levied for Community Services				179,254	-	179,254
Federal and State Aid not Restricted to Specific Purpose						
General				20,250,545	-	20,250,545
Interest and Investment Earnings				30,942	375	31,317
Miscellaneous				49,750	4,693	54,443
Transfers				-	(33,928)	(33,928)
Total General Revenues				35,445,096	(28,860)	35,416,236
Special Item- Gain (Loss) on Disposal				744,647	-	744,647
Change in Net Position				(162,473)	(13,778)	(176,251)
Net Position (Deficit) - Beginning, Restated				25,926,480	(92,385)	25,834,095
Net Position (Deficit) - Ending				\$ 25,764,007	\$ (106,163)	\$ 25,657,844

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 9,368,266	\$ 110,906	\$ 9,479,172
Restricted Cash and Investments	-	49,710	49,710
Receivables:			
Taxes	4,025,324	-	4,025,324
Accounts	14,607	5,355	19,962
Prepaid Expenses	53,278	-	53,278
Due from Other Funds	32,529	-	32,529
Due from Other Governments	699,488	32,637	732,125
Total Assets	<u>\$ 14,193,492</u>	<u>\$ 198,608</u>	<u>\$ 14,392,100</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Short-term Borrowing	\$ 2,500,000	\$ -	\$ 2,500,000
Accounts Payable	338,425	267	338,692
Accrued Payroll and Related Items	4,020,733	-	4,020,733
Accrued Interest	17,042	-	17,042
Due to Other Funds	193,946	33,762	227,708
Due to Other Governments	-	108	108
Total Liabilities	<u>7,070,146</u>	<u>34,137</u>	<u>7,104,283</u>
Fund Balances:			
Nonspendable	53,278	-	53,278
Restricted	-	88,576	88,576
Assigned	125,135	75,895	201,030
Unassigned	6,944,933	-	6,944,933
Total Fund Balances	<u>7,123,346</u>	<u>164,471</u>	<u>7,287,817</u>
Total Liabilities and Fund Balances	<u>\$ 14,193,492</u>	<u>\$ 198,608</u>	<u>\$ 14,392,100</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Total fund balance, governmental funds	\$	7,287,817
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.</p>		26,971,500
<p>Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined pension plan and OPEB plans. These items are reflected in the Statement of Net Position and are being amortized with pension and OPEB expenses in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.</p>		
Net deferred outflows and inflows of resources		5,304,961
<p>Other items, including net pension liability, OPEB liability and supplemental pension liability are not due and payable in the current period and, therefore, are either deferred or not reported in the fund statements.</p>		
Net pension liability		(1,022,276)
Net OPEB liability		(9,863,060)
Net supplemental pension liability		(527,471)
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
General obligation debt		(500,000)
Capital leases payable		(1,885,876)
Accrued interest on long-term debt		(1,588)
Net Position of Governmental Activities in the Statement of Net Position	\$	25,764,007

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 14,367,225	\$ 746,634	\$ 15,113,859
Other Local Sources	676,536	88,588	765,124
Inter-district Sources	1,825,142	59,805	1,884,947
Intermediate Sources	11,576	-	11,576
State Sources	22,527,032	-	22,527,032
Federal Sources	1,187,616	-	1,187,616
Other Sources	70,384	55	70,439
Total Revenues	<u>40,665,511</u>	<u>895,082</u>	<u>41,560,593</u>
EXPENDITURES			
Instruction			
Regular Instruction	15,349,080	-	15,349,080
Vocational Instruction	1,129,609	-	1,129,609
Special Instruction	4,043,430	200,988	4,244,418
Other Instruction	2,027,464	3,650	2,031,114
Total Instruction	<u>22,549,583</u>	<u>204,638</u>	<u>22,754,221</u>
Support Services			
Pupil Services	1,576,719	7,245	1,583,964
Instructional Staff Services	1,895,525	-	1,895,525
General Administration Services	1,450,148	-	1,450,148
Building Administration Services	2,262,664	4,540	2,267,204
Business Services	853,342	-	853,342
Operations and Maintenance	4,415,499	167,197	4,582,696
Pupil Transportation	1,574,325	-	1,574,325
Central Services	161,536	1,217	162,753
Insurance	288,902	-	288,902
Other Support Services	175,120	40	175,160
Community Services	-	163,817	163,817
Total Support Services	<u>14,653,780</u>	<u>344,056</u>	<u>14,997,836</u>
Debt Service			
Principal	1,318,524	560,000	1,878,524
Interest and Fiscal Charges	32,130	10,020	42,150
Total Debt Service	<u>1,350,654</u>	<u>570,020</u>	<u>1,920,674</u>
Purchased and Non-Program Services			
	<u>2,956,221</u>	<u>-</u>	<u>2,956,221</u>
Total Expenditures	<u>41,510,238</u>	<u>1,118,714</u>	<u>42,628,952</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(844,727)</u>	<u>(223,632)</u>	<u>(1,068,359)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	755,001	-	755,001
Transfer In	-	201,075	201,075
Transfer Out	(201,075)	-	(201,075)
Total Other Financing Sources and Uses	<u>553,926</u>	<u>201,075</u>	<u>755,001</u>
Net Change in Fund Balances	(290,801)	(22,557)	(313,358)
Fund Balances - Beginning	7,414,147	187,028	7,601,175
Fund Balances - Ending	<u>\$ 7,123,346</u>	<u>\$ 164,471</u>	<u>\$ 7,287,817</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Net change in fund balances - total governmental funds:	\$ (313,358)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
<p>The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which current year capital outlays and adjustments (\$1,656,524) were less than depreciation (\$1,939,421) in the current period.</p>	
	(282,897)
<p>Vested employee benefits are reported in the government funds when amounts are paid. The Statement of Activities reports the value of benefits earned/used during the year.</p>	
<p>Net decrease (increase) in net OPEB Liability and deferred OPEB outflows of Resources</p>	(151,197)
<p>Net decrease (increase) in net supplemental pension liability and deferred supplemental pension outflows of resources</p>	11,572
<p>The Statement of Activities reports losses arising from the disposal of capital assets. Losses on disposal do not appear in the governmental funds. This is the amount of loss on disposal of current year capital assets.</p>	
	(10,354)
<p>Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.</p>	
<p>The amount of long-term debt principal payments in the current year is:</p>	560,000
<p>The amount of capital lease principal payments in the current year is:</p>	1,318,524
<p>In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities interest is reported as incurred.</p>	
<p>Change in amount of accrued interest not reflected on Governmental Funds</p>	1,768
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.</p>	
<p>Amount of current year required contributions into the defined benefit pension plan</p>	1,241,839
<p>Actuarially determined change in net pension asset between years, with adjustments</p>	(2,538,370)
Change in net position of governmental activities	\$ (162,473)

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
Proprietary Funds
June 30, 2017**

	Food Service
ASSETS	
Current Assets:	
Cash and Investments	\$ 134,676
Accounts Receivable	3,801
Due from Other Funds - Fiduciary	586
Due from Other Governments	5,597
Total Current Assets	144,660
Noncurrent Assets:	
Furniture and Equipment	138,479
Less Accumulated Depreciation	(115,445)
Net Noncurrent Assets	23,034
Total Assets	167,694
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	123,475
Deferred OPEB Outflows	33,927
Total Deferred Outflows of Resources	157,402
Total Assets and Deferred Outflows of Resources	\$ 325,096
LIABILITIES	
Current Liabilities:	
Due to Other Funds	\$ 6,809
Total Current Liabilities	6,809
Noncurrent Liabilities:	
Net Pension Liability	17,050
Net OPEB Liability	314,486
Total Noncurrent Liabilities	331,536
Total Liabilities	338,345
DEFERRED INFLOWS OF RESOURCES	
Food Service Deposits	39,076
Deferred Pension Inflows	53,838
Total Deferred Inflows of Resources	92,914
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	23,034
Unrestricted (Deficit)	(129,197)
Total Net Position	(106,163)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 325,096

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

	Food Service
OPERATING REVENUES	
Food Sales	\$ 683,392
State Sources	17,309
Federal Sources	304,511
Commodities	78,769
Miscellaneous Income	4,693
Total Operating Revenues	1,088,674
OPERATING EXPENSES	
Salaries and Fringes	564,108
Purchased Services	24,899
Food and Supplies	473,098
Depreciation	2,606
Other	4,188
Total Operating Expenses	1,068,899
Operating Income (Loss)	19,775
NON-OPERATING REVENUES	
Interest and Investment Revenue	375
Total Non-Operating Revenue (Expenses)	375
Transfers Out - Benefit Trust Payment	(33,928)
Change in Net Position	(13,778)
Total Net Position (Deficit) - Beginning, Restated	(92,385)
Total Net Position (Deficit) - Ending	\$ (106,163)

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

	Food Service
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 683,413
Cash received from other governmental payments	397,887
Cash received from miscellaneous sources	8,397
Cash payments to employees for services	(534,187)
Cash payments to utilities and other purchased services	(24,899)
Cash payments to suppliers for goods and services	(477,286)
Cash payments for other operating activities	(33,928)
Net cash provided (used) by operating activities	19,397
Cash Flows from Investing Activities:	
Interest on investments	375
Net cash provided (used) by investing activities	375
Net increase (decrease) in cash and cash equivalents	19,772
Cash and equivalents- beginning of year	114,904
Cash and equivalents- end of year	\$ 134,676
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 19,775
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,606
Payment to benefit trust	(33,928)
Pension expense	28,938
OPEB expense	983
Changes in assets and liabilities:	
Due to (from) other governments	(2,702)
Due to (from) other funds	3,704
Accounts receivable	(1,711)
Deposits	1,732
Net cash provided (used) by operating activities	\$ 19,397
Noncash Noncapital Financing Activities:	
During the year the District received commodities from the U.S. Department of Agriculture in the amount of	\$ 78,769

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017**

	<u>Agency Fund</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 141,514	\$ 1,875,162	\$ 2,016,676
Due from Other Funds	-	220,359	220,359
Total Assets	<u>\$ 141,514</u>	<u>\$ 2,095,521</u>	<u>\$ 2,237,035</u>
LIABILITIES			
Due to Student Organizations	\$ 141,514	\$ -	\$ 141,514
Due to Other Funds	-	18,957	18,957
Total Liabilities	<u>141,514</u>	<u>18,957</u>	<u>160,471</u>
NET POSITION			
Restricted	-	2,076,564	2,076,564
Total Liabilities and Net Position	<u>\$ 141,514</u>	<u>\$ 2,095,521</u>	<u>\$ 2,237,035</u>

See accompanying notes to the financial statements.

**Milton School District
Milton, Wisconsin**

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017**

	Employee Benefit Trust
ADDITIONS	
Employer Contributions	\$ 1,097,980
Interest and Dividends	8,068
Employee Contributions	21,892
Total Additions	<u>1,127,940</u>
DEDUCTIONS	
Benefits Paid	<u>1,140,445</u>
Total Deductions	<u>1,140,445</u>
Change in Net Position	(12,505)
Net Position - Beginning	<u>2,089,069</u>
Net Position - Ending	<u><u>\$ 2,076,564</u></u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

A. Introduction

The School District of Milton (the “District”) is organized as a common school district. The District, governed by a seven-member elected school board, operates grades 4K through 12 and is comprised of all or parts of nine taxing districts. As required by accounting principles generally accepted in the United States of America, these financial statements present the District as the primary government.

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

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District’s reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District’s governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental fund:

General Fund – The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. Under GASB 54, the General Fund includes the operations of the Special Education Fund.

The District operates one major enterprise fund, the Food Service Fund. This fund accounts for the activities of the District's food service programs.

The District accounts for assets held as an agent for various student organizations in a fiduciary agency fund. The District also reports its Employee Benefit Trust fund and Agency funds in the fiduciary funds. The benefit trust fund is used to fund and pay for retiree benefits.

The District also has the following non-major funds:

- Debt Service Fund
- Special Revenue Trust
- Community Service Fund
- Non-referendum Debt
- Package Cooperative

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (Continued)
E. Measurement Focus and Basis of Accounting

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special education services are not reduced by anticipated state special aid entitlements.

Interest income on temporary investments is recognized in the fiscal period earned.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, high-grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board. See footnote 3 for additional information.

G. Receivables

Taxes

The District's property taxes are levied on or before October 31st on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31.

On or before January 15 and February 15, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Interfunds

The amounts reported on the Statement of Net Position for internal receivables and payables represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for these internal balances within the same fund type. Residual internal balances between governmental and business-type activities are further eliminated in the total primary government column.

Accounts Receivable

All accounts receivable are shown as 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 such allowance is not material.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

I. Summary of Significant Accounting Policies (Continued)

H. Other Assets

Inventories are valued at cost using the FIFO (first-in/first-out) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

A reserve for these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures, except in cases where inventories are offset by deferred inflows.

I. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to 1992. For assets acquired prior to 1992, estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm, are used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	5,000	Straight-line	20 years
Site improvements	5,000	Straight-line	10-25 years
Computer and related technology	5,000	Straight-line	5-20 years
Furniture and equipment	5,000	Straight-line	5-10 years
Library books	5,000	Straight line	5 years

J. Other Obligations

Accrued Vacation Benefits

Liabilities and the related expenses for vacation benefits are recognized when earned.

Sick Leave Benefits

Sick leave days accumulated up to 110 days do not vest and are recognized as expenses when paid. Teachers who accumulate sick leave days in excess of 110 days are compensated for the excess days in December of each year. The liability for days in excess of 110 days is accrued on the fund financial statements. Administrators are paid at retirement, a onetime payment for unused sick leave up to the number of days and at a rate agreed to in the administrator's contract. The current value of sick days payable upon retirement is \$30,933. No amount has been accrued since it is not considered material.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

- 1. Summary of Significant Accounting Policies (Continued)**
- J. Other Obligations (Continued)**

Vested Employee Benefits

Teachers, administrators and support staff, who have met age and years of service requirements, may elect retirement. The District pays the cost of health and long-term care insurance for a maximum of four to eight years, or Medicare eligibility, if earlier. A retirement stipend based on number of years of service is paid to administrators. The District funds this on a pay as you go basis.

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, 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.

Net Other Post-Employment Benefit Obligations (NOPEBO)

For purposes of measuring the NOPEBO, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with benefit terms. See Note 10 for additional information.

K. Estimates

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

L. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Fund Balance

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the District Board or a body or official of which the District Board has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

O. Change in Accounting Principle

Effective July 1, 2016, the District adopted the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Implementation of GASB Statement No. 73 and GASB Statement No. 75 required net position in the governmental activities to be increased by \$247,998 and decreased by \$9,381,257, respectively. The Business-type activities net position was restated reflecting a decrease in beginning net position of \$279,576. See note 12 for additional information.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

2. Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories:

1. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities.
2. Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

3. Cash and Investments

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency funds and trust funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

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 governmental investment pool.

The carrying amount of the District’s cash and investments, including the separate accounts noted above, totaled \$11,680,234 on June 30, 2017 as summarized below:

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Associated Risk</u>
Deposits with financial institutions	\$ 3,472,033	Custodial credit risk
Petty cash funds	8,825	None
LGIP	<u>8,199,376</u>	Credit risk, interest rate risk
 Total June 30, 2017	 <u><u>\$ 11,680,234</u></u>	

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

3. Cash and Investments (Continued)

A reconciliation of cash and investments as shown on the statements is as follows:

Basic financial statements	
Cash and investments	\$ 9,613,848
Restricted cash and investments	49,710
Fiduciary funds	
Employee-Benefit trust	1,875,162
Agency fund	141,514
Total	<u>\$ 11,680,234</u>

Restricted cash in the amount of \$49,710 in the Debt Service funds includes amount set aside for future payment of G.O. debt. The restricted cash to pay for this future requirement is offset in the restricted fund balance of the respected funds.

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. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value. Information on derivatives was not available to the District.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of June 30, 2017 was: 97.7% in U.S. Government Securities, 1.0% in Commercial Paper and Corporate Notes, and 1.3% in Bankers' Acceptances. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

3. Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity. The LGIP investments have an average maturity of 29 days.

<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>
Wisconsin Local Government Investment Pool	\$8,199,376	\$8,199,376

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2017, the District's investment in the Wisconsin Local Government Investment Pool was not rated.

Custodial Credit Risk

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

Deposits in banks are insured by the FDIC in the amount of \$250,000 for demand accounts and \$250,000 for time and savings accounts. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

As of June 30, 2017, \$1,910,861 of the District's deposits with financial institutions in excess of federal and state depository insurance limits were exposed to custodial credit risk as follows:

Collateralized in the District's Name	\$ 1,599,619
Uninsured and uncollateralized	311,242
	\$ 1,910,861

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year exceeding uninsured amounts at the balance sheet date.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

4. Capital Assets

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017
Governmental Activities				
Land and land improvements	\$ 2,687,998	\$ 687,759	\$ -	\$ 3,375,757
Buildings and building improvements	44,076,334	709,250	-	44,785,584
Furniture and equipment	6,648,605	259,515	(40,192)	6,867,928
Total Government Activities	<u>53,412,937</u>	<u>1,656,524</u>	<u>(40,192)</u>	<u>55,029,269</u>
Less Accumulated Depreciation				
Land improvements	(1,036,097)	(101,225)	-	(1,137,322)
Buildings and building improvements	(22,448,361)	(1,087,877)	-	(23,536,238)
Furniture and equipment	(2,663,728)	(750,319)	29,838	(3,384,209)
Total Accumulated Depreciation	<u>(26,148,186)</u>	<u>(1,939,421)</u>	<u>29,838</u>	<u>(28,057,769)</u>
Net Governmental Activities Capital Assets	<u>\$ 27,264,751</u>	<u>\$ (282,897)</u>	<u>\$ (10,354)</u>	<u>\$ 26,971,500</u>
Business-Type Activities				
Furniture and equipment	\$ 138,479	\$ -	\$ -	\$ 138,479
Less Accumulated Depreciation	(112,839)	(2,606)	-	(115,445)
Net Business-Type Capital Assets	<u>\$ 25,640</u>	<u>\$ (2,606)</u>	<u>\$ -</u>	<u>\$ 23,034</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 533,871
General administration services	108,213
Operations and maintenance of facilities	13,049
Pupil transportation	7,201
Depreciation not charged to a specific function	<u>1,277,087</u>
Total Depreciation for Governmental Activities	<u>\$ 1,939,421</u>

5. Short-term Obligation

The District has a taxable revolving line of credit with a limit of \$2.5 million with interest at 1.50%. The short-term borrowing matures on September 20, 2017. Short-term obligation activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Additions	Removals	Balance 6/30/2017
Tax and Revenue Anticipation Line of Credit	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>

Interest paid on draws against the line of credit totaled \$17,042.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

6. Capital Lease

In January 2014, the District entered into a capital lease agreement for the purpose of facilitating the acquisition of Equipment.

In April 2016, the District entered into another capital lease agreement for the purpose of facilitating the acquisition of Equipment.

Future minimum lease payments are as follows:

Year Ended June 30,	
2018	\$ 640,354
2019	640,354
2020	640,354
Total minimum lease payments	<u>1,921,062</u>
Less: Amount representing interest	<u>(35,186)</u>
Present Value of net minimum lease payments	<u>\$ 1,885,876</u>

7. Long-term Obligations

Long-term obligations of the District are as follows:

	<u>Balance</u> <u>7/1/2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Amount Due</u> <u>Within One Year</u>
General obligation debt					
Bonds payable	\$ 890,000	\$ -	\$ 390,000	\$ 500,000	\$ 380,000
Notes payable	170,000	-	170,000	-	-
Total GO Debt	<u>1,060,000</u>	<u>-</u>	<u>560,000</u>	<u>500,000</u>	<u>380,000</u>
Capital Leases	3,204,400	-	1,318,524	1,885,876	622,815
Total Debt	<u>\$ 4,264,400</u>	<u>\$ -</u>	<u>\$ 1,878,524</u>	<u>\$ 2,385,876</u>	<u>\$ 1,002,815</u>

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2017 is comprised of the following individual issues:

<u>Description</u>	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rate %</u>	<u>Dates of</u> <u>Maturity</u>	<u>Balance</u>	<u>Amount Due</u> <u>Within One Year</u>
Bonds	2/6/2013	.40-1.1%	3/1/2019	\$ 500,000	\$ 380,000
Total General Obligation Debt				<u>\$ 500,000</u>	<u>\$ 380,000</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

7. Long-term Obligations (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 380,000	\$ 4,740	\$ 384,740
2019	120,000	1,320	121,320
Totals	<u>\$ 500,000</u>	<u>\$ 6,060</u>	<u>\$ 506,060</u>

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,703,596,784. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with §67.03(1) (b) of the Wisconsin statutes follows:

Debt Limit (10% of \$1,703,596,784)	\$ 170,359,678
Deduct long-term debt applicable to debt margin	<u>500,000</u>
Margin of indebtedness	<u>\$ 169,859,678</u>

8. Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

8. Defined Benefit Pension Plan (Continued)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. 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>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as 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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

8. Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$1,262,551 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$1,039,326 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.12609521%, which was a decrease of 0.00113114% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,680,424.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 396,295	\$ (3,268,590)
Changes of assumptions	1,086,655	-
Net difference between projected and actual earnings on pension plan investments	5,173,434	-
Changes in proportion and difference between District contributions and proportionate share of contributions	41,113	(13,299)
District contributions subsequent to the measurement date	829,386	-
Total	\$ 7,526,883	\$ (3,281,889)

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

8. Defined Benefit Pension Plan (Continued)

\$829,386 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. 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</u> <u>June 30:</u>	<u>Net Deferred</u> <u>Outflows (Inflows) of</u> <u>Resources</u>
2018	\$ 1,384,315
2019	1,384,315
2020	949,775
2021	(304,844)
2022	2,047

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

8. Defined Benefit Pension Plan (Continued)

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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns				
As of December 31, 2016				
Core Fund Asset Class	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50 %	45 %	8.3 %	5.4 %
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
Variable Fund Asset Class				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%				
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations				

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

8. Defined Benefit Pension Plan (Continued)

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 13,672,995	\$ 1,039,326	\$ (8,689,172)

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

Allocation of Pension Plan Pension amounts are allocated between the Governmental Activities and Business-Type Activities based on the percentage of required contributions of each opinion unit.

9. Supplemental Pension (Stipend) Benefit

The School District of Milton implemented GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 for the fiscal year ended June 30, 2017. This supersedes GASB Statement No. 27 – accounting for pensions by state and local government employers and Statement No. 50 – Pension Disclosures – An amendment to GASB statement No. 25 and No. 27.

At June 30, 2017, The District's total pension liability was measured as of June 30, 2016 and was determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016.

Plan Description

The District provides Administrators with a stipend benefit – based upon their exit salary as well as years of service in the District – at the time of their retirement. Since retirees receive a pension benefit from the Wisconsin Retirement System (WRS), these post-employment pension benefits (stipend and cash in lieu payments) are supplemental to the WRS benefit and therefore, we refer to them as a supplemental pension benefit. The supplemental pension plan description is identified below:

Administrators (retiring on or after July 1, 2013) with a minimum of 10 years service in the School District of Milton who retire at the age of 55 years or older shall receive a retirement stipend in the amount equal to 40% of their exit salary. The total stipend amount will be paid out equally over a period of 4 years.

Administrators (retired prior to July 1, 2013) with a minimum of 15 years service in the School District of Milton who retired at the age of 55 years or older shall receive a retirement stipend. The annual stipend benefit is based on years of services.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

9. Supplemental Pension (Stipend) Benefit (Continued)

Funding Policy and Progress

This is funded on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized a supplemental pension expense of \$52,979, which includes \$37,027 in service costs and \$15,952 in interest expense.

At June 30, 2017, the District reported deferred outflows of resources related to the supplemental pension benefit plan for contributions after the measurement date of \$64,551.

Beginning Balance	\$	552,935
Changes for the Year		
Service Costs		37,027
Interest		15,952
Benefit Payments		(79,443)
Net Changes		<u>(26,464)</u>
Ending Balance	\$	<u>526,471</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	July 1, 2015
Measurement Date of Total Pension Liability	June 30, 2016
Discount Rate:	3.00% - based upon a 20-year AA municipal bond rate.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.00 percent in 2016.

Mortality, disability and retirement rates are based on those used to value the Wisconsin Retirement System pension plan for public schools.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011.

Single Discount rate

A single discount rate of 3.00% (based upon all years of projected payments discounted at a municipal bond rate of 3.00%) was used in this valuation in calculating the supplemental pension liability. It was assumed that the District would continue to fund its retiree benefits out of its general fund assets on a pay-as-you-go basis.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

9. Supplemental Pension (Stipend) Benefit (Continued)

Sensitivity of the District's net pension liability to changes in the discount rate

The following presents the District's net pension liability calculated using the discount rate of 3.00 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current rate:

		1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase to Discount Rate (4.00%)
Total Pension Liability	6/30/2016	\$556,006	\$526,471	\$498,198

10. Other Post Retirement Benefits (OPEB) Plan

The School District of Milton implemented GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions for the fiscal year ended June 30, 2017. This superseded GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This implementation allows the District to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

At June 30, 2017, the District's net OPEB liability was measured as of June 30, 2016, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016.

Plan Description

The District provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The last actuarial valuation was made July 1, 2015. The post-retirement plan does not issue stand-alone financial reports.

Funding Policy

The District established the School District of Milton Post-Employment Benefits Trust in order to accumulate funds and finance the costs of OPEB.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

10. Other Post Retirement Benefits (OPEB) Plan (Continued)

Benefits Provided

For the School District of Milton, the OPEB liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classification that are entitled to a benefit are briefly outlined below:

Administrators Retiring On or After 7/1/13: At least age 55 with a minimum of 10 years of service

The District will make the same medical on behalf of the retiree as is made on behalf of active Administrators (currently an 87.4% medical contribution) for a period of 6 years. If a retiree becomes Medicare-eligible prior to the exhaustion of their benefit, a Medicare 'carve-out' plan will be instituted in lieu of regular coverage.

Note: Administrators that retired prior to July 1, 2013 receive continued medical for a period determined by years of service.

Teachers Retiring On or After 7/1/13: Eligible for WRS with a minimum of 15 years of service

The District will make the same medical on behalf of the retiree as is made on behalf of active employees in the same classification (currently an 87.4% medical contribution). The District's contributions will remain frozen at these amounts for a period of 4 years. If a retiree becomes Medicare-eligible prior to the exhaustion of their benefit, a Medicare 'carve-out' plan will be instituted in lieu of regular coverage.

Note: Teachers that retired prior to July 1, 2011 receive continued medical subsidized by District.

Note: Teachers that retired between July 1, 2011 and July 1, 2013 receive continued medical subsidized by District, duration based on years of service. A Medicare carve-out plan will be paid for if retiree becomes Medicare eligible prior to exhaustion of benefit.

Supervisors: At least age 55 with a minimum of 15 years of service

The District will make the same medical on behalf of the retiree as is made on behalf of active Supervisors (currently an 87.4% medical contribution) for a period of 6 years. If a retiree becomes Medicare-eligible prior to the exhaustion of their benefit, a Medicare 'carve-out' plan will be instituted in lieu of regular coverage.

Support Staff Retiring On or After 7/1/13: At least age 55 with a minimum of 15 years of service

The District will make the same medical on behalf of the retiree as is made on behalf of active employees in the same classification (currently a 94% medical contribution). The District's contributions will remain frozen at these amounts for a period of 4 years.

Note: Support Staff that retired prior to July 1, 2013 receive continued medical benefits as defined by the District.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

10. Other Post Retirement Benefits (OPEB) Plan (Continued)

Employees Covered by Benefit Terms

Employees participating in the OPEB benefit consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	69
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	369
	439
	439

Net OPEB Liability

The District's net OPEB liability of \$10,177,546 was measured at June 30, 2016, and was determined by an actuarial valuation as of July 1, 2015.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.00 percent
Healthcare cost trend rates	7.50 decreasing by .050% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter

Mortality rates were based on the RP-2000 healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on a study conducted in 2012 using the Wisconsin Retirement System (WRS) experience from 2009-2011.

Discount Rate

The discount rate used to measure the total net OPEB liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability. The long-term expected rate of return is equal to the discount rate.

The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement date.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

10. Other Post Retirement Benefits (OPEB) Plan (Continued)

Assets Allocation

The current assets allocation of the District's OPEB plan's asset classes as of June 30, 2017 was as follows:

- 72% deposited in Financial Institution earning an interest rate of 0.5%
- 28% invested in LGIP, the average interest for the year ended June 30, 2017 was 0.54%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 6/30/2015	\$ 12,026,619	\$ 2,002,552	\$ 10,024,067
Changes for the year:			
Service cost	895,916	-	895,916
Interest	358,710	-	358,710
Contributions - employer	-	1,096,681	(1,096,681)
Net investment income	-	4,466	(4,466)
Benefit payments	(1,035,132)	(1,035,132)	-
Net Changes	<u>219,494</u>	<u>66,015</u>	<u>153,479</u>
Balance at 6/30/2016	<u>\$ 12,246,113</u>	<u>\$ 2,068,567</u>	<u>\$ 10,177,546</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.00 percent in 2016.

There were no changes of benefit terms for any participating employer in OPEB.

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

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

		1% Decrease	Current	1% Increase
		2.00%	Discount Rate 3.00%	4.00%
Net OPEB Liability	6/30/2016	<u>\$ 10,929,695</u>	<u>\$ 10,177,546</u>	<u>\$ 9,461,309</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

10. Other Post Retirement Benefits (OPEB) Plan (Continued)

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

The following represents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB Liability	6/30/2016	\$ 9,050,584	\$ 10,177,546	\$ 11,511,591

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2017, the District recognized OPEB expense of \$1,250,160. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the OPEB from the following sources:

<u>Gain / Loss</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions or other inputs	-	-
District contributions subsequent to the measurement date	1,097,980	-
Total	<u>\$ 1,097,980</u>	<u>\$ -</u>

\$1,097,980 reported as deferred outflows related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2018. There are no other amounts reported as deferred outflows of resources or deferred inflows of resources related to OPEB that will be recognized in OPEB expense in future years.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

11. Interfund Activities

Due to/Due from Other Funds

Individual fund interfund receivable and payable balances on June 30, 2017 are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
Employee Benefit Trust	General Fund	\$ 193,946	OPEB Contribution
Employee Benefit Trust	Food Service Fund	6,223	OPEB Contribution
Employee Benefit Trust	Community Service Fund	1,233	OPEB Contribution
General Fund	Package Cooperative Fund	32,529	Cash Shortfall
Total Governmental Activities		<u>233,931</u>	
Less: Fund Eliminations		(32,529)	
Total District-Wide Statement of Activities		<u><u>\$ 201,402</u></u>	

Transfers

The District had the following interfund transfers:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>	<u>Purpose</u>
Package Cooperative Fund	General Fund	\$ 201,075	Support Package Cooperative Fund
Total Governmental Activities		<u>201,075</u>	
Less: Fund Eliminations		(201,075)	
Total District-Wide Statement of Activities		<u><u>\$ -</u></u>	

On the district-wide Statement of Activities, a transfer of \$33,928 was recorded to show the amount paid by the food service fund to the Employee Benefit Trust so that it is reflected in the governmental activities.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

12. Fund Balances / Net Position

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

	General Fund	Debt Service	Community Service Fund	Special Revenue Trust	Non- Referendum Debt	Total
Fund balances:						
<u>Nonspendable:</u>						
Prepays	\$ 53,278	\$ -	\$ -	\$ -	\$ -	\$ 53,278
<u>Restricted for:</u>						
Debt Service Retirement	-	26,333	-	38,866	23,377	88,576
<u>Assigned for:</u>						
Programs	125,135	-	75,895	-	-	201,030
<u>Unassigned</u>	6,944,933	-	-	-	-	6,944,933
Total Fund Balances	<u><u>\$7,123,346</u></u>	<u><u>\$ 26,333</u></u>	<u><u>\$ 75,895</u></u>	<u><u>\$38,866</u></u>	<u><u>\$ 23,377</u></u>	<u><u>\$7,287,817</u></u>

Net Position

Net position reported on the district-wide statement of net position at June 30, 2017 includes the following:

Governmental

Capital Assets Net of Depreciation	\$26,971,500
Less: Related Long-term Debt Outstanding	(500,000)
Less: Capital Leases Outstanding	<u>(1,885,876)</u>
Total Net Investment in Capital Assets	<u>24,585,624</u>
Restricted	
Debt Service	49,710
Other Funds	38,866
Total Restricted	<u>88,576</u>
Unrestricted	<u>1,089,807</u>
Total Governmental Activities Net Position	<u><u>\$25,764,007</u></u>

Business Type

Capital Assets Net of Depreciation	\$ 23,034
Total Net Investment in Capital Assets	<u>23,034</u>
Unrestricted (deficit)	<u>(129,197)</u>
Total Business-Type Activities Net Position	<u><u>\$ (106,163)</u></u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

12. Fund Balances / Net Position (Continued)

Restatement of Net Position

A prior period adjustment was made to reflect the July 1, 2016 beginning supplemental pension (stipend) benefit and net OPEB liabilities, and the beginning deferred outflows of resources for District expenses associated with the supplemental pension (stipend) and OPEB plans after the July 1, 2015 measurement date.

A prior period adjustment was made to remove the capital assets under capital lease but below the capitalization threshold that have been added to the capital assets in prior years.

The summary of prior period adjustments is as follows:

	Governmental Activities	Business-Type Activities
Net Position - beginning, as previously reported	\$ 35,059,739	\$ 187,191
Implementation of GASB No. 75	(9,381,257)	(279,576)
Implementation of GASB No. 73	247,998	-
Net Position - beginning, as restated	<u>\$ 25,926,480</u>	<u>\$ (92,385)</u>

13. Limitation on School District Revenues

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

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

14. Contingencies

The District is exposed to the risk of loss in several areas, including personal injury, wrongful actions, and fire and other casualties. Management has chosen to obtain insurance covering such losses in amounts believed to be sufficient to eliminate the possibility of a material loss in excess of insurance coverage.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

15. Litigation

From time to time the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies.

In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2017 are not likely to have material adverse impact on the District's financial position.

16. Subsequent Events

Subsequent Borrowing

On October 9, 2017, the District authorized temporary borrowing in the amount of \$2,425,000 at a net interest rate of 1.812%.

On October 9, 2017, the District authorized temporary borrowing in the amount not to exceed \$1,900,000 at a net interest rate of 3.0%.

Subsequent Purchases and Construction Contracts

Subsequent to yearend the District approved approximately \$350,000 in design and construction of community park parking lot improvements.

REQUIRED SUPPLEMENTARY INFORMATION

**School District of Milton
Milton, Wisconsin**

**Budgetary Comparison Schedule for the
General Fund - Budget and Actual
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 14,367,225	\$ 14,367,225	\$ 14,367,225	\$ -
Other Local Sources	697,860	697,860	676,536	(21,324)
Inter-District Sources	1,871,751	1,871,751	1,825,142	(46,609)
Intermediate Sources	6,260	4,341	4,076	(265)
State Sources	21,381,747	21,367,205	21,397,219	30,014
Federal Sources	559,192	567,957	435,151	(132,806)
Other Sources	67,520	67,520	70,384	2,864
Total Revenues	<u>38,951,555</u>	<u>38,943,859</u>	<u>38,775,733</u>	<u>(168,126)</u>
EXPENDITURES				
Instruction				
Regular Instruction	15,213,042	15,235,110	15,349,080	(113,970)
Vocational Instruction	1,138,207	1,160,584	1,129,609	30,975
Special Instruction	405,740	405,411	404,519	892
Other Instruction	2,014,481	2,013,424	2,027,464	(14,040)
Total Instruction	<u>18,771,470</u>	<u>18,814,529</u>	<u>18,910,672</u>	<u>(96,143)</u>
Support Services				
Pupil Services	845,880	834,685	816,761	17,924
Instructional Staff Services	1,841,481	1,849,545	1,614,185	235,360
General Administration Services	1,535,174	1,505,215	1,450,148	55,067
Building Administration Services	2,270,805	2,256,007	2,262,664	(6,657)
Business Services	846,701	838,443	845,507	(7,064)
Operations and Maintenance	3,937,950	4,363,050	4,409,437	(46,387)
Pupil Transportation	1,169,521	1,169,601	1,166,592	3,009
Central Services	180,766	174,940	158,391	16,549
Insurance	295,746	295,746	288,902	6,844
Other Support Services	175,897	176,747	175,120	1,627
Total Support Services	<u>13,099,921</u>	<u>13,463,979</u>	<u>13,187,707</u>	<u>276,272</u>
Debt Service				
Principal and Interest	1,341,613	1,341,613	1,350,654	(9,041)
Total Debt Service	<u>1,341,613</u>	<u>1,341,613</u>	<u>1,350,654</u>	<u>(9,041)</u>
Purchased and Non-Program Services	<u>2,277,396</u>	<u>2,277,540</u>	<u>2,671,271</u>	<u>(393,731)</u>
Total Expenditures	<u>35,490,400</u>	<u>35,897,661</u>	<u>36,120,304</u>	<u>(222,643)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,461,155</u>	<u>3,046,198</u>	<u>2,655,429</u>	<u>(390,769)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	753,899	753,899	755,001	1,102
Transfer to Special Education Fund	(3,528,341)	(3,520,124)	(3,500,156)	19,968
Transfer to Package Cooperative Fund	(207,795)	(207,795)	(201,075)	6,720
Total Other Financing Sources and Uses	<u>(2,982,237)</u>	<u>(2,974,020)</u>	<u>(2,946,230)</u>	<u>27,790</u>
Net Change in Fund Balances	478,918	72,178	(290,801)	(362,979)
Fund Balances - Beginning	7,414,147	7,414,147	7,414,147	-
Fund Balances - Ending	<u>\$ 7,893,065</u>	<u>\$ 7,486,325</u>	<u>\$ 7,123,346</u>	<u>\$ (362,979)</u>

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**Budgetary Comparison Schedule for the
Special Education Fund - Budget and Actual
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intermediate	\$ 14,719	\$ 14,719	\$ 7,500	\$ (7,219)
State	1,172,282	1,172,282	1,129,813	(42,469)
Federal	820,401	822,162	752,465	(69,697)
Total Revenues	<u>2,007,402</u>	<u>2,009,163</u>	<u>1,889,778</u>	<u>(119,385)</u>
EXPENDITURES				
Instruction				
Special Instruction	3,734,866	3,771,838	3,638,911	132,927
Total Instruction	<u>3,734,866</u>	<u>3,771,838</u>	<u>3,638,911</u>	<u>132,927</u>
Support Services				
Pupil Services	758,647	760,922	759,958	964
Instructional Staff Services	382,820	300,100	281,340	18,760
Business Services	7,000	7,000	7,835	(835)
Operations and Maintenance	2,500	2,500	6,062	(3,562)
Pupil Transportation	400,000	400,000	407,733	(7,733)
Central Services	-	3,145	3,145	-
Total Support Services	<u>1,550,967</u>	<u>1,473,667</u>	<u>1,466,073</u>	<u>7,594</u>
Non-Program Services	249,910	283,782	284,950	(1,168)
Total Expenditures	<u>5,535,743</u>	<u>5,529,287</u>	<u>5,389,934</u>	<u>139,353</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,528,341)</u>	<u>(3,520,124)</u>	<u>(3,500,156)</u>	<u>19,968</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	3,528,341	3,520,124	3,500,156	(19,968)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**Explanation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures
For the Year Ended June 30, 2017**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 38,775,733	\$ 1,889,778
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	1,889,778	(1,889,778)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 40,665,511	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 36,120,304	\$ 5,389,934
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	5,389,934	(5,389,934)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 41,510,238	\$ -

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**District Net OPEB Liability Schedules
For the Year Ended June 30, 2017**

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios as of the
Measurement Date**

	2016
Total OPEB Liability	
Service costs	\$ 895,916
Interest	358,710
Benefit payments	(1,035,132)
Net change in total OPEB	219,494
Total OPEB Liability-Beginning	12,026,619
Total OPEB Liability-Ending (a)	\$ 12,246,113
 Fiduciary Net Position	
Contributions - employer	\$ 1,096,681
Net investment income	4,466
Benefit payments	(1,035,132)
Net change in fiduciary net position	66,015
Fiduciary Net Position-Beginning	2,002,552
Fiduciary Net Position-Ending (b)	\$ 2,068,567
 Net OPEB Liability	
Net OPEB Liability - ending (a) - (b)	\$ 10,177,546
 Fiduciary net position as a percentage of the Total OPEB Liability	16.89%
 Covered Employee Payroll	\$ 17,426,758
 Total OPEB Liability as a percentage of covered- employee payroll	58.40%

**Schedule of District Contributions
Last 10 Fiscal Years**

	2016
Actuarially Determined Contribution (ADC)	\$ 1,330,088
Contributions in Relation to the ADC	1,096,681
Contribution Deficiency/(Excess)	\$ 233,407
 Cover-Employee Payroll	\$ 17,426,758
 Contributions as a Percentage of Covered-Employee Payroll	6.29%

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**District Supplemental Pension Plan Schedules
June 30, 2017**

As of the Measurement Date

Last 10 Years

Year ended June 30,	District's Total Supplemental Pension Liability	District's Covered Payroll	Net Pension Liability as a Percent of Covered Payroll	District's Pension Expense
2016	\$ 526,471	\$ 4,850,579	10.85%	\$ 52,979

Last 10 Years

Changes for the Year	2016
Service Costs	\$ 37,027
Interest	15,952
Benefit Payments	(79,443)
Net Change in Total Pension Liability	(26,464)
Total Pension Liability - Beginning	552,935
Total Pension Liability - Ending	<u>\$ 526,471</u>

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**Wisconsin Retirement System
June 30, 2017**

**Schedule of Proportionate Share of the Net Pension Liability (Asset)
As of the Measurement Date
Last 10 Fiscal Years***

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.12609521%	\$ 1,039,326	\$ 19,129,270	5.43%	99.12%
2015	0.12496407%	2,030,642	17,510,893	11.60%	98.20%
2014	-0.12622806%	(3,099,654)	17,159,106	(18.06%)	102.74%

* The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**Schedule of District's Contributions
For the Year Ended
Last 10 Fiscal Years****

Year ended June 30,	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
2017	\$ 1,326,930	\$ (1,326,930)	\$ -	\$ 19,735,337	6.72%
2016	1,260,224	(1,260,224)	-	18,873,608	6.68%
2015	1,221,588	(1,221,588)	-	17,743,469	6.88%

**The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

SCHOOL DISTRICT OF MILTON
Notes to Required Supplementary Information
For The Year Ended June 30, 2017

1. Budgetary Information

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit sub function level in the General Fund and the function level in all other funds. Reported budget amounts are as originally adopted or as amended by the School Board.

Excess of Expenditures Over Appropriations

The General Fund and Special Education Fund incurred expenditures, by function, in excess of appropriations by \$10,000 or more as follows:

<u>Fund</u>	<u>Function</u>	<u>Variance Amount</u>
General	Regular Instruction	\$ 113,970
General	Other Instruction	14,040
General	Operations and Maintenance	46,387
General	Purchased and Non Program Services	393,731

2. District Net OPEB Liability Schedules

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

Actuarial assumptions

Key methods and assumptions used to calculate actuarially determined contributions (ADC) were as follows:

Valuation Date	July 1, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	30 year Level %
Discount Rate	3.00%
Inflation	3.00%

Change of benefit terms

There were no changes of benefit terms during the year.

Change of assumptions

Change of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.0 percent in 2016.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2017

3. District Supplemental Pension Plan Schedules

Governmental Accounting Standards Board Statement No. 73 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

Changes of benefit terms

There were no changes to benefit terms during the year.

Changes of assumptions

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.0 percent in 2016.

Assets

There are no assets accumulated in a trust that meet the criteria in governmental accounting standards to pay related benefits.

4. Wisconsin Retirement System Schedules

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 7 preceding years.

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

Changes of assumptions. A change in actuarial assumptions was made in 2015. Rates used in mortality tables were updated on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scales (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

OTHER SUPPLEMENTAL INFORMATION

**School District of Milton
Milton, Wisconsin**

**Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets:				
Cash and Cash Equivalents	\$ 133,759	\$ 501,392	\$ 493,637	\$ 141,514
Total Assets	<u>\$ 134,366</u>	<u>\$ 501,392</u>	<u>\$ 493,637</u>	<u>\$ 141,514</u>
Liabilities:				
Milton High School	\$ 117,801	\$ 456,905	\$ 446,758	\$ 127,948
Milton Middle School	12,576	33,844	35,529	10,891
Northside Elementary	3,382	10,643	11,350	2,675
Total Liabilities	<u>\$ 133,759</u>	<u>\$ 501,392</u>	<u>\$ 493,637</u>	<u>\$ 141,514</u>

**School District of Milton
Milton, Wisconsin**

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017**

	<u>Debt Service</u>	<u>Special Revenue Trust</u>	<u>Community Service Fund</u>	<u>Non- Referendum Debt Service</u>	<u>Package Cooperative Fund</u>	<u>Total Non- Major Governmental Funds</u>
ASSETS						
Cash and Investments	\$ -	\$ 38,866	\$ 72,040	\$ -	\$ -	\$ 110,906
Restricted Cash and Investments	26,333	-	-	23,377	-	49,710
Accounts Receivable	-	-	5,355	-	-	5,355
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	32,637	32,637
Total Assets	<u>\$ 26,333</u>	<u>\$ 38,866</u>	<u>\$ 77,395</u>	<u>\$ 23,377</u>	<u>\$ 32,637</u>	<u>\$ 198,608</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 267	\$ -	\$ -	\$ 267
Due to Other Fund	-	-	1,233	-	32,529	33,762
Due to Other Governments	-	-	-	-	108	108
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>32,637</u>	<u>34,137</u>
Fund Balances:						
Restricted	26,333	38,866	-	23,377	-	88,576
Assigned	-	-	75,895	-	-	75,895
Total Fund Balances	<u>26,333</u>	<u>38,866</u>	<u>75,895</u>	<u>23,377</u>	<u>-</u>	<u>164,471</u>
Total Liabilities and Fund Balances	<u>\$ 26,333</u>	<u>\$ 38,866</u>	<u>\$ 77,395</u>	<u>\$ 23,377</u>	<u>\$ 32,637</u>	<u>\$ 198,608</u>

**School District of Milton
Milton, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017**

	Debt Service	Special Revenue Trust	Community Service Fund	Non- Referendum Debt Service	Package Cooperative Fund	Total Non- Major Governmental Funds
REVENUES						
Property Taxes	\$ 396,105	\$ -	\$ 179,254	\$ 171,275	\$ -	\$ 746,634
Other Local Sources	350	5,540	79,916	210	2,572	88,588
Inter-District Sources	-	-	-	-	59,805	59,805
Other Sources	-	-	-	-	55	55
Total Revenues	<u>396,455</u>	<u>5,540</u>	<u>259,170</u>	<u>171,485</u>	<u>62,432</u>	<u>895,082</u>
EXPENDITURES						
Instruction						
Special Instruction	-	-	-	-	200,988	200,988
Other Instruction	-	3,050	-	-	600	3,650
Total Instruction	<u>-</u>	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>201,588</u>	<u>204,638</u>
Support Services						
Pupil Services	-	-	-	-	7,245	7,245
Building Administrative Services	-	-	4,540	-	-	4,540
Operations and Maintenance	-	-	113,780	-	53,417	167,197
Central Services	-	-	-	-	1,217	1,217
Other Support Services	-	-	-	-	40	40
Community Services	-	-	163,817	-	-	163,817
Total Support Services	<u>-</u>	<u>-</u>	<u>282,137</u>	<u>-</u>	<u>61,919</u>	<u>344,056</u>
Debt Service						
Principal	390,000	-	-	170,000	-	560,000
Interest and Fiscal Charges	7,470	-	-	2,550	-	10,020
Total Debt Service	<u>397,470</u>	<u>-</u>	<u>-</u>	<u>172,550</u>	<u>-</u>	<u>570,020</u>
Total Expenditures	<u>397,470</u>	<u>3,050</u>	<u>282,137</u>	<u>172,550</u>	<u>263,507</u>	<u>1,118,714</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,015)</u>	<u>2,490</u>	<u>(22,967)</u>	<u>(1,065)</u>	<u>(201,075)</u>	<u>(223,632)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	201,075	201,075
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,075</u>	<u>201,075</u>
Net Change in Fund Balances	(1,015)	2,490	(22,967)	(1,065)	-	(22,557)
Fund Balances - Beginning	27,348	36,376	98,862	24,442	-	187,028
Fund Balances - Ending	<u>\$ 26,333</u>	<u>\$ 38,866</u>	<u>\$ 75,895</u>	<u>\$ 23,377</u>	<u>\$ -</u>	<u>\$ 164,471</u>

SINGLE AUDIT

SCHOOL DISTRICT OF MILTON
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Awarding Agency Pass-Through Agency <u>Award Description</u>	Federal Catalog <u>Number</u>	Pass-through Entity <u>ID Number</u>	Receivable <u>July 1, 2016</u>	Receipts	Expenditures	Receivable <u>June 30, 2017</u>
U.S. Department of Agriculture						
Passed through Wisconsin Department of Public Instruction:						
<u>Child Nutrition Cluster</u>						
Donated Commodities	10.555	Not Available	\$ -	\$ 78,769	\$ 78,769	\$ -
Food Service Aid - Breakfast	10.553	2017-533612-SB-546	502	24,521	24,646	627
National School Lunch Program	10.555	2017-533612-NSL-547	2,393	277,287	279,864	4,970
Total Child Nutrition Cluster			2,895	380,577	383,279	5,597
Total U.S. Department of Agriculture			2,895	380,577	383,279	5,597
U.S. Department of Education						
Passed through Wisconsin Department of Public Instruction:						
ESEA Title II-A Teacher/Principal	84.367	17-533612-Title II-365	11,815	73,679	71,272	9,408
ESEA Title I-A Basic Grant	84.010	17-533612-Title I-141	73,762	217,045	282,678	139,395
<u>Special Education Cluster (IDEA)</u>						
IDEA Flow Through	84.027	2017-533612-IDEA-341	90,816	530,151	590,395	151,060
IDEA Preschool Entitlement	84.173	17-533612-Pre-S-347	89	8,606	8,696	179
High Cost of Special Education Aid	84.027	Not Available	-	7,287	7,287	-
Passed through CESA 2:						
Regional Service Network Discretionary Grant	84.027	2017-749902-IDEA-342	-	7,500	7,500	-
Total Special Education Cluster (IDEA)			90,905	553,544	613,878	151,239
<u>Career and Technical Education Basic Grants</u>						
Passed through School District of Edgerton:						
Carl Perkins	84.048	Not Available	853	1,710	2,651	1,794
Total Career and Technical Education Basic Grants			853	1,710	2,651	1,794
Passed through CESA 2:						
ESEA III-A English Language Acquis	84.365	Not Available	-	-	4,076	4,076
Total U.S. Department of Education			177,335	845,978	974,555	305,912
U.S. Department of Health and Human Services						
Passed through Wisconsin Department of Health Services:						
Wisconsin School Mental Health Project	93.243	Not Available	-	3,071	3,071	-
Medical Assistance Program	93.778	Not Available	-	208,820	208,820	-
Total U.S. Department of Health and Human Services			-	211,891	211,891	-
Total Federal Awards			\$ 180,230	\$ 1,438,446	\$ 1,569,725	\$ 311,509

See notes to schedules of awards

SCHOOL DISTRICT OF MILTON
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2017

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	Pass-through Entity <u>ID Number</u>	Receivable <u>July 1, 2016</u>	<u>Receipts</u>	<u>Expenditures</u>	Receivable <u>June 30, 2017</u>
Wisconsin Department of Public Instruction:						
Entitlement Programs:						
Special Education and School Age Parents	255.101	533612-100	\$ -	\$ 1,100,396	\$ 1,100,396	\$ -
Common School Fund Library	255.103	533612-104	-	131,266	131,266	-
Pupil Transportation	255.107	533612-102	-	85,604	85,604	-
Equalization	255.201	533612-116	334,620	20,220,783	20,231,480	345,317
Per Pupil Aid	255.945	533612-113	517,200	1,383,950	866,750	-
High Cost of Special Education	255.210	533612-119	-	29,417	29,417	-
Cost Reimbursement Programs:						
State School Lunch	255.102	533612-107	-	11,572	11,572	-
WI School Day Milk Program	255.109	533612-109	-	2,498	2,498	-
School Breakfast Program	255.344	533612-108	-	3,240	3,240	-
Financial Literacy Reality Store Model	255.367	533612-146	-	4,095	9,998	5,903
Educator Effective Evaluation System Grant	255.940	533612-154	19,799	40,439	20,640	-
Career and Technical Education Incentive Grants	255.950	533612-151	-	19,223	19,223	-
Assessments of Reading Readiness	255.956	533612-166	-	13,194	13,194	-
Subtotal Wisconsin Department of Public Instruction			<u>871,619</u>	<u>23,045,677</u>	<u>22,525,278</u>	<u>351,220</u>
Department of Workforce Development:						
Passed Through District of Edgerton						
School - to - Work Partnership Youth Grant	445.107	Not Available	853	1,309	15,397	14,941
Total State Awards			<u>\$ 872,472</u>	<u>\$ 23,046,986</u>	<u>\$ 22,540,675</u>	<u>\$ 366,161</u>

See notes to schedules of awards

SCHOOL DISTRICT OF MILTON
Notes to Schedules of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Note 1 Reporting Entity

The accompanying schedules of expenditures of Federal and State Awards include the federal and state grant activity of the School District of Milton.

Note 2 Basis of Presentation

The accounting records for the grant programs are maintained on the accrual or modified accrual basis of accounting, depending on the fund type the federal and state awards are recorded in. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*.

Note 3 Special Education and School Age Parents Program

2016-2017 eligible costs under the State Special Education Program are \$4,416,238.

Note 4 Medical Assistance

Expenditures presented for the Medicaid SBS Benefit represent only the federal funds for the program that the District receives from DHS. District records should be consulted to determine the total amount expended for this program.

Note 5 Food Distribution

Nonmonetary assistance is reported in the schedule at fair value of the commodities received and disbursed (\$78,769).

Note 6 De Minimis Cost Rate

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

Note 7 Subrecipients

No amounts were passed through to subrecipients.



Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

INDEPENDENT AUDITOR'S 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

November 20, 2017

To the School Board
School District of Milton
Milton, 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, business-type activities, each major fund, and the aggregate remaining fund information of the School District of Milton, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise School District of Milton's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin



Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

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

November 20, 2017

To the School Board
School District of Milton
Milton, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of Milton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the School District of Milton's major federal and state programs for the year ended June 30, 2017. The School District of Milton's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Milton's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the *Uniform Guidance* and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School District of Milton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the School District of Milton's compliance.



Opinion on Each Major Federal and State Program

In our opinion, the School District of Milton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School District of Milton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Milton School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Milton's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

SCHOOL DISTRICT OF MILTON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
* Material weakness identified?	No
* Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
* Material weakness identified?	No
* Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster

Dollar threshold for distinguishing Types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SCHOOL DISTRICT OF MILTON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section III – Federal and State Award Findings and Questioned Costs

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 non-compliance, non-material non-compliance, questioned costs, material weakness, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:
 - Department of CorrectionsN/A
 - Department of Health Service.....No
 - Department of Workforce Development.....No
 - Department of Public Instruction.....No
 - Department of AdministrationN/A
 - Office of Justice AssistanceN/A

Section IV – Other Issues (Continued)

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes
An Audit
Communication
Letter was submitted
to the oversight body

4. Name and signature of partner 
5. Date of report: Kevin Krysinski, CPA
November 20, 2017

SCHOOL DISTRICT OF MILTON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major programs:

- * Material weakness identified? No
- * Significant deficiency(ies) identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance State Single Audit Guidelines No

Identification of major state programs:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid
255.945	Per Pupil Aid

Identification of non-major state programs which limited procedures were performed in accordance with the Wisconsin Public School District Audit Manual:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents

Section II – Financial Statement Finding

None

SCHOOL DISTRICT OF MILTON
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2017

Federal and State Award Findings and Questioned Costs

Federal Award Finding #2016-001

Child Nutrition Cluster – CFDA # 10.555 - Internal Controls Over Income Verification

- Criteria: Federal compliance requires that by November 15th of each year the District must verify a sample of eligible free and reduced applications through income verification procedures. The district is required to request and document income verification and determine if changes in eligibility are required based on results.
- Condition: The District has a control deficiency in that the procedures used to document income verification samples.
- Effect: During our examination of the sample of free and reduced applications tested, we noted the District was unable to locate the income verification backup documentation provided by families to prove eligibility.
- Recommendation: We recommend procedures be implemented to ensure that all records related to this verification process are documented and available for review.
- District Response: The district has reviewed the handling of the verification process and has proposed steps to ensure that documents supporting the verification reporting process are not misplaced in the future. These steps include: 1) All verification documents mailed to families will be return addressed marked Attn: Verification Official, 2) Upon receipt, all documents will be inspected and traced on a separate tracking form and 3) All completed documents will be copied and attached to the original application, scanned to the district's secure server with restricted access and appropriately labeled and original documents will be filed in the Food Service Director's office until the annual audit is complete each year, then boxed up for long-term storage.
- Current Status: This program was again tested as a major federal program. The District has sufficient documentation for the required income verification noted during current year testing.

State Award Finding #2016-002

Special Education – 255.101 – Non Valid License Reporting

- Criteria: In order for the District to receive State special education aid, staff must be appropriately licensed for a special education work assignment in order for their salary and benefits to be eligible. DPI audits the staff assignment information reported by the District against each individual's licensure status at the time the audit is conducted.
- Condition: As determined by DPI, the District had a special education staff person with a license that was not appropriate for the staff's work assignment.
- Effect: Per review of the District's 2016 special education licensure information, DPI listed one staff person that did not have a valid special education license, and, therefore, was deemed not valid for special education aid. This individual staff person was hired in July 2015 where staff had previously been licensed in another state. The ELO system reported her in-state application and payment were received on 10/6/2015, but her license was not valid until 4/6/2016.

SCHOOL DISTRICT OF MILTON
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2017

- Recommendation:** We recommend that special education staff's licenses continue to be appropriate for their work assignments. We are aware that the District has already been in correspondence with DPI and has submitted a representation letter disputing the license status.
- District Response:** The district feels they and the teacher took every step possible to obtain the appropriate license in a timely manner. The teacher submitted her application to DPI, along with her payment on October 6, 2015. Upon application and payment submission to DPI, the teacher was told she would be notified if there was any missing data. The teacher emailed DPI monthly, inquiring if there was additional information that was required. She received no response from DPI until February 10, 2016. At that time, DPI informed the teacher that they were reviewing her information and then notified her she needed to take the praxis exam before her licensure could be approved. The teacher signed up for the soonest praxis exam and upon completion, DPI approved her license effective for April 6, 2016. The HR Department had been in contact with the teacher throughout this entire process and the teacher had contacted DPI numerous times for direction and help.
- Current Status:** No teachers were listed on the current year Nonvalid License listing issued by the Department of Public Instruction. The individual above obtained required licensure.