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SCHOOL DISTRICT OF MILTON
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S
REPORT

For the Year Ended June 30, 2019

SCHOOL DISTRICT OF MILTON

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For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the School Board
School District of Milton
Milton, Wisconsin

Report on the Financial Statements

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, 2019, 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, 2019, 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.

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* (Uniform Guidance) 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 other supplemental information 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 22, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of Milton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 22, 2019

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2019

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 \$101,391,980 and total deferred outflows of resources are \$13,565,258. Total governmental net position after deducting liabilities and deferred inflows of resources is \$23,119,355.

In terms of general fund operations, we had a Deficit of Revenues and Other Sources over Expenditures and Other Uses of \$75,367. This decreased our fund balance from \$7,198,678 at the beginning of the year to \$7,123,311 at year-end. This fund balance is approximately 15% of our general fund 2018-2019 actual expenditures. The percentage of fund balance held can 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.

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. This question was approved by the electorate. 2018-19 was the fourth year (of five) that the District was allowed the additional funds to help support the overall budget.

The general fund (Fund 10) reported a decrease in fund balance of \$75,367 at the end of the fiscal year. The food service fund (Fund 50) experienced revenues that were less than expenditures by \$42,435 and decreased the food service fund balance to \$83,925. The aforementioned numbers are before the full accrual basis adjustments. On a full accrual basis, expenditures exceeded revenues by \$89,069 and fund balance was reduced to a deficit of \$156,861. 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.

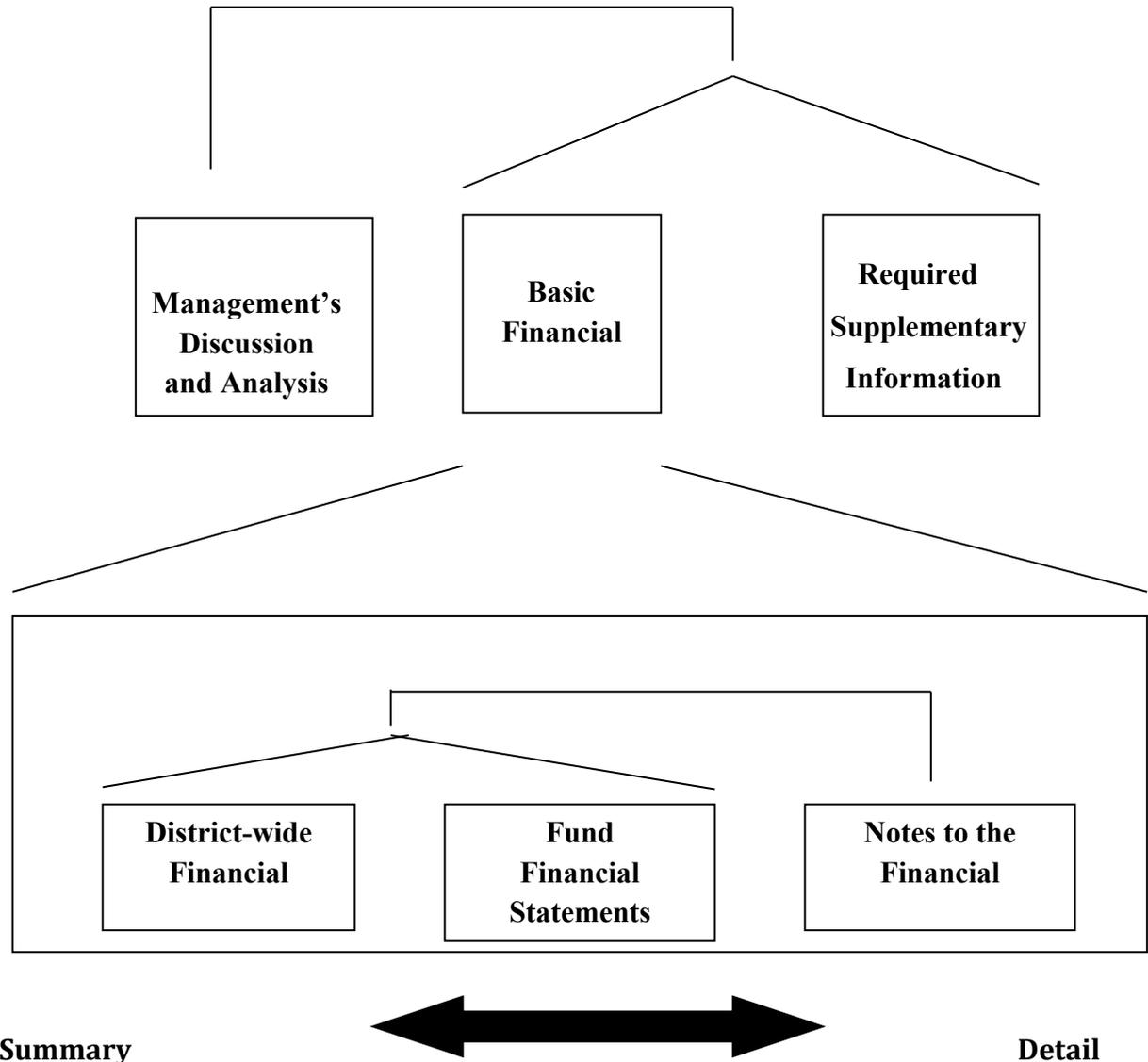
SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2019

- 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.

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, 2019

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, 2019

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, 2019

FINANCIAL ANALYSES

Statement of Net Position

Table 1 provides a summary of the District's Net Position for the period ended June 30, 2019. 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 Activities		Business-type Activities		Total School District	
	2019	2018	2019	2018	2019	2018
Current & other assets	\$ 73.0	\$ 17.8	\$ 0.1	\$ 0.3	\$ 73.1	\$ 18.1
Capital assets	28.4	26.7	-	-	28.4	26.7
Total Assets	<u>\$ 101.4</u>	<u>\$ 44.5</u>	<u>\$ 0.1</u>	<u>\$ 0.3</u>	<u>\$ 101.5</u>	<u>\$ 44.8</u>
Deferred outflows	<u>\$ 13.6</u>	<u>\$ 7.9</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 13.8</u>	<u>\$ 8.0</u>
Long-term debt outstanding	\$ 17.6	\$ 1.4	\$ -	\$ -	\$ 17.6	\$ 1.4
Other liabilities	67.3	17.3	0.4	0.4	67.7	17.7
Total Liabilities	<u>\$ 84.9</u>	<u>\$ 18.7</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 85.3</u>	<u>\$ 19.1</u>
Deferred inflows	<u>\$ 7.0</u>	<u>\$ 7.8</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 7.1</u>	<u>\$ 7.9</u>
Net Investment in						
Capital Assets	\$ 25.3	\$ 25.3	\$ -	\$ -	\$ 25.3	\$ 25.3
Restricted	0.2	0.1	-	-	0.2	0.1
Unrestricted	(2.4)	0.5	(0.2)	(0.1)	(2.6)	0.4
Total Net Position	<u>\$ 23.1</u>	<u>\$ 25.9</u>	<u>\$ (0.2)</u>	<u>\$ (0.1)</u>	<u>\$ 22.9</u>	<u>\$ 25.8</u>

In governmental activities, the largest portion 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, 2019

Table 2 shows the changes in Net Position for the fiscal year ended June 30, 2019 from all governmental activities. As shown below, general revenues provide about 80% of the funding for governmental activities. The District relies on property taxes for 32% 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>	
	2019	2018	2019	2018	2019	2018
General Revenues:						
Property taxes	\$ 14.7	\$ 14.8	\$ -	\$ -	\$ 14.7	\$ 14.8
State formula aid	21.3	21.3	-	-	21.3	21.3
Other	0.4	0.2	-	-	0.4	0.2
Total general revenues	<u>36.4</u>	<u>36.3</u>	<u>-</u>	<u>-</u>	<u>36.4</u>	<u>36.3</u>
Program revenues:						
Charges for service	2.6	3.0	0.6	0.7	3.2	3.7
Grants and Contributions	5.6	4.3	0.4	0.4	6.0	4.7
Total program revenues	<u>8.2</u>	<u>7.3</u>	<u>1.0</u>	<u>1.1</u>	<u>9.2</u>	<u>8.4</u>
Total revenues	<u>44.6</u>	<u>43.6</u>	<u>1.0</u>	<u>1.1</u>	<u>45.6</u>	<u>44.7</u>
Program Expenses:						
Instruction	25.3	24.3	-	-	25.3	24.3
Pupil & instructional services	4.6	4.2	-	-	4.6	4.2
Administration and business	4.5	4.9	-	-	4.5	4.9
Maintenance and operations	3.6	3.4	-	-	3.6	3.4
Transportation	2.0	1.5	-	-	2.0	1.5
Community service	0.1	0.2	-	-	0.1	0.2
Non-program services	3.7	3.0	-	-	3.7	3.0
Other	3.0	1.8	1.1	1.1	4.1	2.9
Total Expenses	<u>46.8</u>	<u>43.3</u>	<u>1.1</u>	<u>1.1</u>	<u>47.9</u>	<u>44.4</u>
Special Item - Gain (Loss) on Disposal	(0.6)	(0.1)	-	-	(0.6)	(0.1)
Change in Net Position	(2.8)	0.2	(0.1)	-	(2.9)	0.2
Beginning Net Position, Restated	25.9	25.7	(0.1)	(0.1)	25.8	25.6
Ending Net Position	<u>\$ 23.1</u>	<u>\$ 25.9</u>	<u>\$ (0.2)</u>	<u>\$ (0.1)</u>	<u>\$ 22.9</u>	<u>\$ 25.8</u>

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2019

Capital Asset and Debt Administration

Capital Assets:

At the end of the 2019 fiscal year, the District had invested over \$58.5 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 \$29.9 million for governmental activities and \$0.1 million for business-type activities.

- Asset acquisition for governmental activities totaled \$4,549,888 and \$0 for the food service program.
- The District recognized depreciation expense of \$1,456,882 for governmental activities and \$2,264 for the food service program during the fiscal year.
- Major capital asset additions for the year included: parking lot improvements, HVAC upgrades, security doors, technology equipment and the start of the capital referendum projects.

Table 3
Capital Assets
(in millions of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>School District</u>	
	2019	2018	2019	2018	2019	2018
Land & improvements	\$ 4.1	\$ 3.8	\$ -	\$ -	\$ 4.1	\$ 3.8
Building & building improvements	46.6	45.7	-	-	46.6	45.7
Equipment & furniture	6.8	7.1	0.1	0.1	6.9	7.2
Construction work in progress	0.8	-	-	-	0.8	-
Accumulated depreciation	(29.9)	(29.9)	(0.1)	(0.1)	(30.0)	(30.0)
Total	\$ 28.4	\$ 26.7	\$ -	\$ -	\$ 28.4	\$ 26.7

Long-Term Debt:

At year-end, the District had \$59,900,000 in general obligation bonds and \$2,357,150 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, 2019

FUND SUMMARY

General Fund

The General Fund, the main operating fund of the District remains in a financially stable condition. Expenditures were more than revenues by \$75,366. The current general fund balance represents approximately 15% of expenditures.

Approximately 32% 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 is 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 \$3,874,991.

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 2018-2019 Budget levied at the maximum allowable amount under the revenue limit. The Board of Education approved general fund revenues at \$41,919,516 and expenditures at \$41,919,516. The Original Budget had anticipated expenditures not to exceed revenues.

Debt Service Fund

The Debt Service Funds have a fund balance at year-end of \$287,792. 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 Moody's Bond Rating is Aa3 (May 2018). Our current debt limit is \$192,784,085 (6-30-2019) and our current bonds payable principal amount outstanding is \$59,900,000, leaving a margin of indebtedness of \$132,884,085.

SCHOOL DISTRICT OF MILTON
Management's Discussion and Analysis (MD&A Statement)
June 30, 2019

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

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. This question was approved by the electorate. 2018-19 was the fourth year (of five) that the District was allowed the additional levy revenue authority to help support the overall budget.

The District will consider the need to ask the electorate to support an operational referendum as the final year (year 5) of the 2.5 million non-recurring referenda ends June 30, 2021. 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. Changes made at the state (2021-2023 biennial budget) and national level remain a fiscal concern and will be monitored to the best of our ability.

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.

FINANCIAL STATEMENTS

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
June 30, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 8,592,123	\$ 116,460	\$ 8,708,583
Restricted Cash and Investments	59,421,403	-	59,421,403
Receivables:			
Taxes	3,874,991	-	3,874,991
Accounts	77,325	2,114	79,439
Prepaid Expenses	123,608	-	123,608
Due from Fiduciary Funds	2,096	59	2,155
Due from Other Governments	882,887	-	882,887
Inventories	-	16,653	16,653
Total Current Assets	<u>72,974,433</u>	<u>135,286</u>	<u>73,109,719</u>
Noncurrent Assets:			
Land, Land Improvements and Work in Progress	4,950,055	-	4,950,055
Buildings and Building Improvements	46,636,630	-	46,636,630
Furniture and Equipment	6,799,223	138,479	6,937,702
Less: Accumulated Depreciation	<u>(29,968,361)</u>	<u>(120,315)</u>	<u>(30,088,676)</u>
Net Capital Assets	<u>28,417,547</u>	<u>18,164</u>	<u>28,435,711</u>
Total Assets	<u>101,391,980</u>	<u>153,450</u>	<u>101,545,430</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Outflows	1,207,158	34,033	1,241,191
Deferred Pension Outflows	12,310,163	185,934	12,496,097
Deferred Pension Stipend Outflows	47,937	-	47,937
Total Deferred Outflows of Resources	<u>13,565,258</u>	<u>219,967</u>	<u>13,785,225</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	98,619	-	98,619
Accrued Liabilities:			
Payroll and Related Items	3,674,307	-	3,674,307
Interest	126,750	-	126,750
Food Service Deposits	-	51,362	51,362
Short-Term Borrowing	2,400,000	-	2,400,000
Current Portion of Long-Term Obligations	60,959,999	-	60,959,999
Total Current Liabilities	<u>67,259,675</u>	<u>51,362</u>	<u>67,311,037</u>
Noncurrent Liabilities:			
Net Pension Liability	4,766,046	71,987	4,838,033
Noncurrent Portion of Long-Term Obligations	1,820,318	-	1,820,318
Supplemental Pension Liability	337,498	-	337,498
Net OPEB Liability	<u>10,675,405</u>	<u>300,964</u>	<u>10,976,369</u>
Total Noncurrent Liabilities	<u>17,599,267</u>	<u>372,951</u>	<u>17,972,218</u>
Total Liabilities	<u>84,858,942</u>	<u>424,313</u>	<u>85,283,255</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Inflows	207,064	5,838	212,902
Deferred Pension Inflows	6,629,172	100,127	6,729,299
Deferred Pension Stipend Inflows	142,705	-	142,705
Total Deferred Inflows of Resources	<u>6,978,941</u>	<u>105,965</u>	<u>7,084,906</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	25,269,090	18,164	25,287,254
Restricted:			
Debt Service	197,942	-	197,942
Other	42	-	42
Unrestricted (Deficit)	<u>(2,347,719)</u>	<u>(175,025)</u>	<u>(2,522,744)</u>
Total Net Position	<u>\$ 23,119,355</u>	<u>\$ (156,861)</u>	<u>\$ 22,962,494</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction						
Regular Instruction	\$ 17,212,246	\$ 2,123,165	\$ 2,489,717	\$ (12,599,364)	\$ -	\$ (12,599,364)
Vocational Instruction	1,236,555	8,423	17,911	(1,210,221)	-	(1,210,221)
Special Education Instruction	4,803,340	28,405	1,579,508	(3,195,427)	-	(3,195,427)
Other Instruction	2,098,122	199,433	5,263	(1,893,426)	-	(1,893,426)
Total Instruction	<u>25,350,263</u>	<u>2,359,426</u>	<u>4,092,399</u>	<u>(18,898,438)</u>	<u>-</u>	<u>(18,898,438)</u>
Support Services						
Pupil Services	1,988,039	38,982	357,254	(1,591,803)	-	(1,591,803)
Instructional Staff Services	2,583,042	-	412,757	(2,170,285)	-	(2,170,285)
General Administration Services	808,372	72,622	-	(735,750)	-	(735,750)
Building Administration Services	2,484,847	177	-	(2,484,670)	-	(2,484,670)
Business Services	1,209,641	1,040	304,817	(903,784)	-	(903,784)
Operations and Maintenance	3,577,255	-	6,575	(3,570,680)	-	(3,570,680)
Pupil Transportation	1,996,239	124,898	189,075	(1,682,266)	-	(1,682,266)
Central Services	329,860	-	11,416	(318,444)	-	(318,444)
Insurance	310,596	-	-	(310,596)	-	(310,596)
Interest and Fiscal Charges on Debt	215,868	-	-	(215,868)	-	(215,868)
Other Support Services	1,008,932	151	27,519	(981,262)	-	(981,262)
Community Services	141,994	42,893	4,590	(94,511)	-	(94,511)
Depreciation	1,056,048	-	-	(1,056,048)	-	(1,056,048)
Total Support Services	<u>17,710,733</u>	<u>280,763</u>	<u>1,314,003</u>	<u>(16,115,967)</u>	<u>-</u>	<u>(16,115,967)</u>
Purchased and Non-Program Services	<u>3,749,976</u>	<u>-</u>	<u>147,357</u>	<u>(3,602,619)</u>	<u>-</u>	<u>(3,602,619)</u>
Total Governmental Activities	<u>46,810,972</u>	<u>2,640,189</u>	<u>5,553,759</u>	<u>(38,617,024)</u>	<u>-</u>	<u>(38,617,024)</u>
Business-Type Activities						
Food Service Program	1,080,216	603,212	404,300	-	(72,704)	(72,704)
Total Business-Type Activities	<u>1,080,216</u>	<u>603,212</u>	<u>404,300</u>	<u>-</u>	<u>(72,704)</u>	<u>(72,704)</u>
Total Governmental and Business-Type Activities	<u>\$ 47,891,188</u>	<u>\$ 3,243,401</u>	<u>\$ 5,958,059</u>	<u>(38,617,024)</u>	<u>(72,704)</u>	<u>(38,689,728)</u>
General revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				14,331,682	-	14,331,682
Property Taxes, Levied for Debt Service				71,300	-	71,300
Property Taxes, Levied for Community Services				253,404	-	253,404
Federal and State Aid not Restricted to Specific Purpose						
General				21,282,182	-	21,282,182
Interest and Investment Earnings				135,116	1,108	136,224
Miscellaneous				285,386	3,818	289,204
Transfers				(1,915)	(21,291)	(23,206)
Total General Revenues and Transfers				<u>36,357,155</u>	<u>(16,365)</u>	<u>36,340,790</u>
Special Item- Gain (Loss) on Disposal				(561,944)	-	(561,944)
Change in Net Position				(2,821,813)	(89,069)	(2,910,882)
Net Position (Deficit) - Beginning				25,941,168	(67,792)	25,873,376
Net Position (Deficit) - Ending				<u>\$ 23,119,355</u>	<u>\$ (156,861)</u>	<u>\$ 22,962,494</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Balance Sheet
Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 8,473,305	\$ -	\$ 118,818	\$ 8,592,123
Restricted Cash and Investments	-	59,133,611	287,792	59,421,403
Receivables:				
Taxes	3,874,991	-	-	3,874,991
Accounts	3,250	-	1,075	4,325
Prepaid Expenses	71,608	52,000	-	123,608
Due from Other Funds	42,426	-	10	42,436
Due from Other Governments	867,465	-	15,422	882,887
Total Assets	<u>\$ 13,333,045</u>	<u>\$ 59,185,611</u>	<u>\$ 423,117</u>	<u>\$ 72,941,773</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term Borrowing	\$ 2,400,000	\$ -	\$ -	\$ 2,400,000
Accounts Payable	98,526	-	93	98,619
Accrued Payroll and Related Items	3,674,307	-	-	3,674,307
Accrued Interest	36,900	-	-	36,900
Due to Other Funds	-	24,918	15,422	40,340
Total Liabilities	<u>6,209,733</u>	<u>24,918</u>	<u>15,515</u>	<u>6,250,166</u>
Fund Balances:				
Nonspendable	71,608	52,000	-	123,608
Restricted	42	59,108,693	287,792	59,396,527
Assigned	252,441	-	119,810	372,251
Unassigned	6,799,220	-	-	6,799,220
Total Fund Balances	<u>7,123,311</u>	<u>59,160,693</u>	<u>407,602</u>	<u>66,691,606</u>
Total Liabilities and Fund Balances	<u>\$ 13,333,044</u>	<u>\$ 59,185,611</u>	<u>\$ 423,117</u>	<u>\$ 72,941,772</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, 2019**

Total fund balance, governmental funds	\$	66,691,606
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		28,417,547
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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. Net deferred outflows and inflows of resources		6,586,317
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. Termination benefit insurance reimbursement		73,000
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Other items, including 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. Net pension liability Net OPEB liability Supplemental pension liability		(4,766,046) (10,675,405) (337,498)
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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. General obligation debt Premium on long-term debt Capital leases payable Accrued interest on long-term debt Termination benefits liability Rounding		(59,900,000) (343,227) (2,357,150) (89,850) (179,940) 1
Net Position of Governmental Activities in the Statement of Net Position	\$	<u>23,119,355</u>

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, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 14,331,682	\$ -	\$ 324,704	\$ 14,656,386
Other Local Sources	794,831	39,942	62,073	896,846
Inter-district Sources	1,917,257	-	28,248	1,945,505
Intermediate Sources	3,188	-	-	3,188
State Sources	25,559,924	-	-	25,559,924
Federal Sources	1,243,188	-	-	1,243,188
Other Sources	174,982	-	-	174,982
Total Revenues	<u>44,025,052</u>	<u>39,942</u>	<u>415,025</u>	<u>44,480,019</u>
EXPENDITURES				
Instruction:				
Regular Instruction	15,960,007	-	-	15,960,007
Vocational Instruction	1,171,083	-	-	1,171,083
Special Instruction	4,398,157	-	158,812	4,556,969
Other Instruction	1,998,250	-	1,521	1,999,771
Total Instruction	<u>23,527,497</u>	<u>-</u>	<u>160,333</u>	<u>23,687,830</u>
Support Services:				
Pupil Services	1,737,634	-	7,504	1,745,138
Instructional Staff Services	2,201,891	-	277	2,202,168
General Administration Services	685,197	-	-	685,197
Building Administration Services	2,354,787	-	-	2,354,787
Business Services	1,002,950	-	1,155	1,004,105
Operations and Maintenance	3,049,098	20	220,917	3,270,035
Pupil Transportation	1,982,382	-	1,957	1,984,339
Central Services	318,330	-	1,299	319,629
Insurance	310,596	-	-	310,596
Other Support Services	975,937	-	-	975,937
Community Services	-	-	138,874	138,874
Total Support Services	<u>14,618,802</u>	<u>20</u>	<u>371,983</u>	<u>14,990,805</u>
Debt Service:				
Principal	1,263,061	-	120,000	1,383,061
Interest and Fiscal Charges	69,210	-	57,250	126,460
Total Debt Service	<u>1,332,271</u>	<u>-</u>	<u>177,250</u>	<u>1,509,521</u>
Capital Outlay	3,870,518	779,229	-	4,649,747
Purchased and Non-Program Services	3,746,788	-	3,188	3,749,976
Total Expenditures	<u>47,095,876</u>	<u>779,249</u>	<u>712,754</u>	<u>48,587,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,070,824)</u>	<u>(739,307)</u>	<u>(297,729)</u>	<u>(4,107,860)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	841,777	-	-	841,777
Capital Lease Proceeds	2,357,150	-	-	2,357,150
Proceeds from Long-term Debt Issuance	-	59,900,000	-	59,900,000
Premium on Long-term Debt Issuance	-	-	343,227	343,227
Transfer In	-	-	225,163	225,163
Transfer Out	(203,470)	-	(23,608)	(227,078)
Total Other Financing Sources and Uses	<u>2,995,457</u>	<u>59,900,000</u>	<u>544,782</u>	<u>63,440,239</u>
Net Change in Fund Balances	(75,367)	59,160,693	247,053	59,332,379
Fund Balances - Beginning	7,198,678	-	160,549	7,359,227
Fund Balances - Ending	<u>\$ 7,123,311</u>	<u>\$ 59,160,693</u>	<u>\$ 407,602</u>	<u>\$ 66,691,606</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, 2019**

Net change in fund balances - total governmental funds:	\$ 59,332,379
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
<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.</p>	
This is the amount by which current year capital outlays (\$4,549,888) were greater than depreciation (\$1,456,882) in the current period.	3,093,006
<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>	
Net decrease (increase) in net OPEB Liability and deferred OPEB outflows of resources	(671,873)
Net decrease (increase) in supplemental pension liability and deferred supplemental pension outflows (inflows) of resources	21,455
Net decrease (increase) in termination benefits	(148,866)
Termination benefits insurance reimbursement	73,000
<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>	
	(1,403,721)
<p>Proceeds from issuing long-term Capital Leases are reported as revenue in the governmental funds but increase long-term liabilities in the Statement of Net Position.</p>	
	(2,357,150)
<p>Proceeds from issuing long-term debt are reported as revenue in the governmental funds but increase long term liabilities in the statement of net position.</p>	
	(59,900,000)
<p>Debt premium from issuing long-term debt are reported as revenue in the governmental funds but increase long term liabilities in the statement of net position.</p>	
	(343,227)
<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>	
The amount of long-term debt principal payments in the current year is:	120,000
The amount of capital lease principal payments in the current year is:	1,263,061
<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>	
Change in amount of accrued interest not reflected on Governmental Funds	(89,408)
<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 liability (asset) from the prior year to the current year, with some adjustments.</p>	
Amount of current year required contributions into the defined benefit pension plan	1,387,646
Actuarially determined change in net pension liability (asset) between years, with adjustments	(3,198,115)
Change in net position of governmental activities	\$ (2,821,813)

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
Proprietary Funds
June 30, 2019**

	Food Service
ASSETS	
Current Assets:	
Cash and Investments	\$ 116,460
Accounts Receivable	2,114
Due from Other Funds - Fiduciary	59
Inventories	16,653
Total Current Assets	135,286
Noncurrent Assets:	
Furniture and Equipment	138,479
Less Accumulated Depreciation	(120,315)
Net Noncurrent Assets	18,164
Total Assets	153,450
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	185,934
Deferred OPEB Outflows	34,033
Total Deferred Outflows of Resources	219,967
LIABILITIES	
Current Liabilities:	
Food Service Deposits	51,362
Total Current Liabilities	51,362
Noncurrent Liabilities:	
Net Pension Liability	71,987
Net OPEB Liability	300,964
Total Noncurrent Liabilities	372,951
Total Liabilities	424,313
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB Inflows	5,838
Deferred Pension Inflows	100,127
Total Deferred Inflows of Resources	105,965
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	18,164
Unrestricted (Deficit)	(175,025)
Total Net Position	\$ (156,861)

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, 2019**

	Food Service
OPERATING REVENUES	
Food Sales	\$ 603,212
State Sources	16,591
Federal Sources	320,030
Commodities	67,679
Miscellaneous Income	3,818
Total Operating Revenues	1,011,330
OPERATING EXPENSES	
Salaries and Fringes	614,775
Purchased Services	51,939
Food and Supplies	392,712
Depreciation	2,264
Other	18,526
Total Operating Expenses	1,080,216
Operating Income (Loss)	(68,886)
NON-OPERATING REVENUES	
Interest and Investment Revenue	1,108
Total Non-Operating Revenue	1,108
Transfers In	1,915
Transfers Out - Benefit Trust Payment	(23,206)
Change in Net Position	(89,069)
Total Net Position (Deficit) - Beginning	(67,792)
Total Net Position (Deficit) - Ending	\$ (156,861)

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, 2019**

	Food Service
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 606,818
Cash received from other governmental payments	410,391
Cash received from miscellaneous sources	3,818
Cash payments to employees for services	(581,353)
Cash payments to utilities and other purchased services	(51,939)
Cash payments to suppliers for goods and services	(418,746)
Cash payments for other operating activities	(23,206)
Net cash provided (used) by operating activities	(54,217)
Cash Flows from Investing Activities:	
Interest on investments	1,108
Net cash provided (used) by investing activities	1,108
Cash Flows from Noncapital Financing Activities:	
Contributions from General Fund	1,915
Net cash provided (used) by noncapital financing activities	1,915
Net increase (decrease) in cash and cash equivalents	(51,194)
Cash and equivalents- beginning of year	167,654
Cash and equivalents- end of year	\$ 116,460
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (68,886)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,264
Payment to benefit trust	(23,206)
Pension expense	30,048
OPEB expense	14,321
Changes in assets and liabilities:	
Due to (from) other governments	6,091
Due to (from) other funds	(10,947)
Inventory	(7,508)
Accounts receivable	951
Deposits	2,655
Net cash provided (used) by operating activities	\$ (54,217)
Noncash Noncapital Financing Activities:	
During the year the District received commodities from the U.S. Department of Agriculture in the amount of	\$ 67,679

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019**

	<u>Agency Fund</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 158,812	\$ 2,726,353	\$ 2,885,165
Total Assets	<u>\$ 158,812</u>	<u>\$ 2,726,353</u>	<u>\$ 2,885,165</u>
LIABILITIES			
Due to Student Organizations	\$ 158,812	\$ -	\$ 158,812
Due to Other Funds	-	2,155	2,155
Total Liabilities	<u>\$ 158,812</u>	<u>2,155</u>	<u>160,967</u>
NET POSITION			
Restricted		2,724,198	2,724,198
Total Liabilities and Net Position		<u>\$ 2,726,353</u>	<u>\$ 2,885,165</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, 2019**

	Employee Benefit Trust
ADDITIONS	
Employer Contributions	\$ 846,354
Interest and Dividends	36,105
Employee Contributions	42,331
Total Additions	<u>924,790</u>
DEDUCTIONS	
Benefits Paid	<u>684,885</u>
Total Deductions	<u>684,885</u>
Change in Net Position	239,905
Net Position - Beginning	<u>2,484,293</u>
Net Position - Ending	<u><u>\$2,724,198</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

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 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 in the following sections.

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, 2019

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.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund and trust funds).

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 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 Service
- Package Cooperative Fund

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, 2019

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.

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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

G. Receivables

Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for the collection to comprising municipalities based on the immediate past October 1 full or “equalized” taxable property values. As permitted by a collecting municipality’s ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and the final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities 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. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. 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.

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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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 acquisition 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 \$31,440.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

J. Other Obligations (Continued)

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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

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

- 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 \$71,015,151 on June 30, 2019 as summarized below:

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Associated Risk</u>
Deposits with financial institutions	\$ 54,392,202	Custodial credit risk
Petty cash funds	8,825	None
Certificates of Deposit	8,211,421	Custodial credit risk, interest rate risk
LGIP	<u>8,402,703</u>	Credit risk, interest rate risk
Total June 30, 2019	<u>\$ 71,015,151</u>	

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

Basic financial statements	
Cash and investments	\$ 8,708,583
Restricted cash and investments:	
Capital projects	59,133,611
Debt service	287,792
Fiduciary funds	
Employee-Benefit trust	2,726,353
Agency fund	158,812
Total	<u>\$ 71,015,151</u>

Restricted cash in the amount of \$287,792 in the Debt Service funds and \$59,133,611 in Capital Projects fund include amounts set aside for future payment of G.O. debt and capital projects. The restricted cash to pay for this future requirement is offset in the restricted fund balance of the respected funds.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

3. Cash and Investments (Continued)

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 <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2019, 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, 2019 was: 94.82% in U.S. Government Securities, 3.72% in Commercial Paper and Corporate Notes, and 1.46% in Certificates of Deposit, Bankers' Acceptances and Time Deposits. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

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 16 days.

Investment Type	Fair Value	Investment Maturities		
		Less than 6 Months	6 Months to 1 Year	1 Year to 3 Years
Certificates of Deposit	\$ 8,211,421	\$ 1,135,000	\$ 2,270,000	\$ 4,806,421
Local Government Investment Pool	8,402,703	8,402,703	-	-
	<u>\$ 16,614,124</u>	<u>\$ 9,537,703</u>	<u>\$ 2,270,000</u>	<u>\$ 4,806,421</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

3. Cash and Investments (Continued)

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, 2019, 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, 2019, \$56,410,163 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	\$ 52,938,551
Insured by the State Deposit Guarantee Fund	2,976,589
Uninsured and uncollateralized	<u>495,023</u>
	<u><u>\$ 56,410,163</u></u>

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, 2019

4. Capital Assets

	Balance 7/1/2018	Additions	Retirements	Balance 6/30/2019
Governmental Activities				
Construction in progress	\$ -	\$ 810,346	\$ -	\$ 810,346
Land and land improvements	3,839,306	300,403	-	4,139,709
Buildings and building improvements	45,680,816	955,814	-	46,636,630
Furniture and equipment	7,147,939	2,483,325	(2,832,041)	6,799,223
Total Government Activities	<u>56,668,061</u>	<u>4,549,888</u>	<u>(2,832,041)</u>	<u>58,385,908</u>
Less Accumulated Depreciation				
Land improvements	(1,266,280)	(140,100)	-	(1,406,380)
Buildings and building improvements	(24,541,599)	(889,783)	-	(25,431,382)
Furniture and equipment	(4,131,920)	(426,999)	1,428,320	(3,130,599)
Total Accumulated Depreciation	<u>(29,939,799)</u>	<u>(1,456,882)</u>	<u>1,428,320</u>	<u>(29,968,361)</u>
Net Governmental Activities Capital Assets	<u>\$ 26,728,262</u>	<u>\$ 3,093,006</u>	<u>\$ (1,403,721)</u>	<u>\$ 28,417,547</u>
Business-Type Activities				
Furniture and equipment	\$ 138,479	\$ -	\$ -	\$ 138,479
Less Accumulated Depreciation	<u>(118,051)</u>	<u>(2,264)</u>	<u>-</u>	<u>(120,315)</u>
Net Business-Type Capital Assets	<u>\$ 20,428</u>	<u>\$ (2,264)</u>	<u>\$ -</u>	<u>\$ 18,164</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 277,911
General administration services	96,335
Operations and maintenance of facilities	14,688
Pupil transportation	11,900
Depreciation not charged to a specific function	<u>1,056,048</u>
Total Depreciation for Governmental Activities	<u>\$ 1,456,882</u>

5. Short-term Obligation

The District has one taxable revolving line of credit with a limit of \$1.9 million with interest at 3.49% and one taxable tax and revenue anticipation promissory note with an amount of \$2.4 million with interest of 2.39%. The short-term borrowings mature on November 1, 2019 and September 18, 2019, respectively. Short-term obligation activity for the year ended June 30, 2019 was as follows:

	Balance 7/1/2018	Additions	Removals	Balance 6/30/2019
Tax and Revenue Anticipation Promissory Note	\$ 2,425,000	\$ 2,400,000	\$ (2,425,000)	\$ 2,400,000
Line of Credit	-	1,900,000	(1,900,000)	-
Total	<u>\$ 2,425,000</u>	<u>\$ 4,300,000</u>	<u>\$ (4,325,000)</u>	<u>\$ 2,400,000</u>

Interest accrued on draws against the line of credit totaled \$54,234.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

6. Capital Lease

In October 2018, the District entered into another capital lease agreement for the purpose of facilitating the acquisition of Equipment.

Future minimum lease payments are as follows:

	2020	\$ 612,295
	2021	612,295
	2022	612,295
	2023	<u>612,295</u>
	Total minimum lease payments	2,449,179
	Less: Amount representing interest	<u>(92,029)</u>
	Present Value of net minimum lease payments	<u><u>\$ 2,357,150</u></u>

7. Long-term Obligations

Long-term obligations of the District are as follows:

	Balance 7/1/2018	Issued	Retired	Balance 6/30/2019	Amount Due Within One Year
<u>General obligation debt</u>					
Bonds payable	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Bond Anticipation Note	-	<u>59,900,000</u>	-	<u>59,900,000</u>	<u>59,900,000</u>
Total GO Debt	<u>120,000</u>	<u>59,900,000</u>	<u>120,000</u>	<u>59,900,000</u>	<u>59,900,000</u>
Premium on debt	-	343,227	-	343,227	343,227
Capital leases	1,263,061	2,357,150	1,263,061	2,357,150	580,647
Termination benefits	31,074	148,866	-	179,940	136,125
Total Long-Term Obligations	<u>\$ 1,414,135</u>	<u>\$ 62,749,243</u>	<u>\$ 1,383,061</u>	<u>\$ 62,780,317</u>	<u>\$ 60,959,999</u>

The termination benefits liability attributed to governmental activities are typically being liquidated in the general fund. \$73,000 of the termination benefits liability will be covered by insurance in 2019/2020 fiscal year.

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, 2019 is comprised of the following individual issues:

	Issue Dates	Interest Rate %	Dates of Maturity	Balance	Amount Due Within One Year
Bond Anticipation Note	6/19/2019	5%	8/19/2019	\$ 59,900,000	\$ 59,900,000
Total General Obligation Debt				<u>\$ 59,900,000</u>	<u>\$ 59,900,000</u>

Subsequent to the fiscal year, the District refinanced the Bond Anticipation Note with \$57,045,000 in General Obligation Refunding bonds, with an interest rate ranging between 3.0% and 5.0%. Annual principal and interest is due in varying amounts with maturity in 2039.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

7. Long-term Obligations (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 59,900,000	\$ 499,167	\$ 60,399,167
Totals	\$ 59,900,000	\$ 499,167	\$ 60,399,167

Debt Limit

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,927,840,852. The legal debt limit and margin of indebtedness as of June 30, 2019, in accordance with §67.03(1) (b) of the Wisconsin statutes follows:

Debt Limit (10% of \$1,927,840,852)	\$ 192,784,085
Deduct long-term debt applicable to debt margin	59,900,000
Margin of indebtedness	\$ 132,884,085

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.

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

8. Defined Benefit Pension Plan (Continued)

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

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

The WRS also provides death and disability benefits for employees.

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>
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)
2017	2.0	4
2018	2.4	17

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.

During the reporting period, the WRS recognized \$1,408,605 in contributions from the employer.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

8. Defined Benefit Pension Plan (Continued)

Contribution rates as of June 30, 2019 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2019, the District reported a liability of \$4,838,033 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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 (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.13598820%, which was an increase of 0.00439145% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$3,254,576.

At June 30, 2019, 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	\$ 3,768,095	\$ (6,660,638)
Changes of assumptions	815,515	-
Net difference between projected and actual earnings on pension plan investments	7,065,617	-
Changes in proportion and difference between District contributions and proportionate share of contributions	17,784	(68,661)
District contributions subsequent to the measurement date	829,086	-
Total	\$ 12,496,097	\$ (6,729,299)

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

8. Defined Benefit Pension Plan (Continued)

\$829,086 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 1,795,415
2021	442,648
2022	774,060
2023	1,925,589
	\$ 4,937,712

Actuarial Assumptions. The total pension liability (asset) in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

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, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	<u>110</u>	<u>7.3</u>	<u>4.7</u>
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	<u>100</u>	<u>8.0</u>	<u>5.4</u>

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

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

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 19,226,853	\$ 4,838,033	\$ (5,861,169)

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

At June 30, 2019, The District's total pension liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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 of 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. Eligible retirees who waive the coverage in the District's group medical plans will instead receive an annual cash benefit of \$2,375 in lieu of such participation for a period of 6 years.

Administrators (retired prior to July 1, 2013) shall receive a retirement stipend and a cash in lieu of medical benefit. The annual stipend benefit is based on years of services. The cash in lieu of medical benefit will be \$4,750 for same duration.

Supervisors with a minimum of 15 years of service in the District of Milton who retire at the age of 55 years or older shall receive a cash in lieu (of OPEB) payments. Eligible retirees waiving coverage in the District's group medical plans will receive an annual cash benefit of \$2,375 in lieu of such participation for a period of 6 years.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

9. Supplemental Pension (Stipend) Benefit (Continued)

Support Staff (retiring on or after July 1, 2013) with a minimum of 15 years of service in the District of Milton who retire at the age of 55 years or older shall receive a cash in lieu (of OPEB) payments. Eligible retirees waiving coverage in the District's group medical plans will receive an annual cash benefit of \$2,375 in lieu of such participation for a period of 4 years.

Support Staff (retired prior to July 1, 2013) shall receive annual cash in lieu of medical benefit of \$4,750 with duration based on years of service.

Employees Covered by Benefit Terms. Employees participating in the supplemental pension (stipend) benefit consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	90
	100
	100

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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the District recognized a supplemental pension expense of \$26,482.

Beginning Balance	\$ 349,227
Changes for the Year	
Service Costs	28,800
Interest	11,907
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	-
Changes of Assumptions or Other Inputs	(5,588)
Benefit Payments	(46,848)
Net Changes	(11,729)
Ending Balance	\$ 337,498

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

9. Supplemental Pension (Stipend) Benefit (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the supplemental pension benefit plan 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	\$ -	\$ (71,276)
Changes of assumptions or other inputs	-	(71,429)
District contributions subsequent to the measurement date	47,937	-
Total	<u>\$ 47,937</u>	<u>\$ (142,705)</u>

\$47,937 reported as deferred outflows related to the supplemental pension benefit resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net supplemental pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the supplemental pension benefit will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (14,225)
2021	(14,225)
2022	(14,225)
2023	(14,225)
2024	(14,225)
Thereafter	<u>(71,580)</u>
	<u>\$ (142,705)</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	June 30, 2017
Measurement Date of Total Pension Liability	June 30, 2018
Discount Rate:	3.75% - based upon a 20-year AA municipal bond rate.

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 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

9. Supplemental Pension (Stipend) Benefit (Continued)

Single Discount Rate. A single discount rate of 3.75% (based upon all years of projected payments discounted at a municipal bond rate of 3.75%) 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.

Sensitivity of the District's Total Pension Liability to Changes in the Discount Rate. The following presents the District's total pension liability calculated using the discount rate of 3.75 percent, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current rate:

	1% Decrease to Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase to Discount Rate (4.75%)
Total Pension Liability	\$360,247	\$337,498	\$315,847

10. Other Post-Employment Benefits (OPEB) Plan

At June 30, 2019, the District's net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

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 June 30, 2017. 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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

10. Other Post-Employment Benefits (OPEB) Plan (Continued)

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

All Retirees Participating in the District's Group Medical Plan (Inclusive of COBRA Participants):
Upon retirement

From 7/1/2013 to 6/30/2014 the District implemented a Section 105 Health Reimbursement Arrangement wherein a portion of the prescription drug copay expenses and office visits are covered by the HRA through a TPA. While there is no individual cap, the District has a total dollar cap per plan year.

Effective 7/1/2014, the above benefit ended and the District implemented a HRA Benefit for reimbursement of a portion of the medical plan deductible, which is applicable to retirees for reimbursable expenses. It is assumed that the District will provide reimbursement for up to \$1,900 for those retirees with single coverage and \$3,800 for those retirees with family coverage.

Notes: This benefit is available for active employees as well as retirees participating in the District's Group Medical Plan. For purposes of the valuation, it is assumed that those retirees with single coverage will expend \$1,900 in reimbursable deductible expenses and those with family coverage will expend \$3,800 in reimbursable deductible expenses each year they are covered under the District's plan. Retirees may be reimbursed for prescription medication through the HRA for Tier 2 and Tier 3 levels but only up to 50% for each tier.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

10. Other Post-Employment Benefits (OPEB) Plan (Continued)

Employees Covered by Benefit Terms. Employees participating in the OPEB benefit consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	41
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	384
	425
	425

Net OPEB Liability. The District’s net OPEB liability of \$10,976,369 was measured at June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs. The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	3.75	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 June 30, 2017 valuation were based on an experience study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

Discount Rate. The discount rate used to measure the total net OPEB liability was 3.75%. 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.

Assets Allocation. The current assets allocation of the District’s OPEB plan’s asset classes as of June 30, 2019 was as follows:

- 50% deposited in Financial Institution earning an interest rate of 0.5%
- 50% invested in LGIP, the average interest for the year ended June 30, 2019 was 2.30%

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

10. Other Post-Employment Benefits (OPEB) Plan (Continued)

Changes in the Net OPEB Liability.

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 6/30/2017	<u>\$ 12,758,155</u>	<u>\$ 2,076,565</u>	<u>\$ 10,681,590</u>
Changes for the year:			
Service cost	1,127,086	-	1,127,086
Interest	454,932	-	454,932
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	(232,257)	-	(232,257)
Contributions - employer	-	1,037,011	(1,037,011)
Net investment income	-	17,971	(17,971)
Benefit payments	(647,254)	(647,254)	-
Net Changes	<u>702,507</u>	<u>407,728</u>	<u>294,779</u>
Balance at 6/30/2018	<u>\$ 13,460,662</u>	<u>\$ 2,484,293</u>	<u>\$ 10,976,369</u>

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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
	Net OPEB Liability	<u>\$ 11,925,522</u>	<u>\$ 10,976,369</u>

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	<u>\$ 9,606,359</u>	<u>\$ 10,976,369</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

10. Other Post-Employment Benefits (OPEB) Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the District recognized OPEB expense of \$1,532,548. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

Gain / Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 58,792	\$ -
Changes of assumptions or other inputs	250,071	(212,902)
Net difference between projected and actual earnings on OPEB plan investments	85,974	-
District contributions subsequent to the measurement date	846,354	-
Total	<u>\$ 1,241,191</u>	<u>\$ (212,902)</u>

\$846,354 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 35,709
2021	35,709
2022	35,709
2023	24,971
2024	11,531
Thereafter	38,306
	<u>\$ 181,935</u>

11. Interfund Activities

Due to/Due from Other Funds

Individual fund interfund receivable and payable balances on June 30, 2019 are as follows:

Due To	Due From	Amount	Purpose
General Fund	Employee Benefit Trust	\$ 2,086	OPEB Contribution
General Fund	Capital Projects Fund	24,918	Capital Projects
General Fund	Package Cooperative Fund	15,422	Cash Shortfall
Food Service Fund	Employee Benefit Trust	59	OPEB Contribution
Community Service Fund	Employee Benefit Trust	10	OPEB Contribution
Total Governmental Activities		<u>42,495</u>	
Less: Fund Eliminations		(40,340)	
Total District-Wide Statement of Net Position - Due to Fiduciary Funds		<u>\$ 2,155</u>	

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

11. Interfund Activities (Continued)

Transfers

The District had the following interfund transfers:

Receiving Fund	Paying Fund	Amount	Purpose
Package Cooperative Fund	General Fund	\$ 201,555	Support Package Cooperative Fund
Non-Referendum Debt Service Fund	Debt Service	23,608	Close Non-Referendum Debt Fund
Food Service	General Fund	1,915	Food Service Operating
Employee Benefit Trust	Food Service	23,206	OPEB Contribution
Total Governmental Activities		<u>250,284</u>	
Less: Fund Eliminations		<u>(227,078)</u>	
Total District-Wide Statement of Activities		<u>\$ 23,206</u>	

On the district-wide Statement of Activities, a transfer of \$23,206 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.

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	Capital Projects	Community Service Fund	Special Revenue Trust	Total
Fund balances:						
<u>Nonspendable:</u>						
Prepays	\$ 71,608	\$ -	\$ 52,000	\$ -	\$ -	\$ 123,608
<u>Restricted for:</u>						
Unspent Common School Fund						
Revenues	42	-	-	-	-	42
Debt Service Retirement	-	287,792	-	-	-	287,792
Capital Projects	-	-	59,108,693	-	-	59,108,693
<u>Assigned for:</u>						
Programs	252,441	-	-	74,186	45,624	372,251
<u>Unassigned</u>	<u>6,799,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,799,220</u>
Total Fund Balances	<u>\$ 7,123,311</u>	<u>\$ 287,792</u>	<u>\$ 59,160,693</u>	<u>\$ 74,186</u>	<u>\$ 45,624</u>	<u>\$ 66,691,606</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2019

12. Fund Balances / Net Position (Continued)

Net Position

Net position reported on the district-wide statement of net position at June 30, 2019 includes the following:

Governmental

Capital Assets Net of Depreciation	\$ 28,417,547
Less: Related Long-term Debt Outstanding	(59,900,000)
Less: Capital Leases Outstanding	(2,357,150)
Plus: Unspent Debt Proceeds	<u>59,108,693</u>
Total Net Investment in Capital Assets	<u>25,269,090</u>
Restricted	
Debt Service	197,942
Unspent Common School Fund Revenues	<u>42</u>
Total Restricted	<u>197,984</u>
Unrestricted (Deficit)	<u>(2,347,719)</u>
Total Governmental Activities Net Position	<u><u>\$ 23,119,355</u></u>

Business-type

Capital Assets Net of Depreciation	\$ 18,164
Total Net Investment in Capital Assets	<u>18,164</u>
Unrestricted (Deficit)	<u>(175,025)</u>
Total Business-Type Activities Net Position	<u><u>\$ (156,861)</u></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, 2019

15. Subsequent Events

Subsequent Borrowing

In September 2019, the District authorized two temporary borrowings in the amount not to exceed \$2,700,000 at a net interest rate of 2.25% and in the amount not to exceed \$1,900,000 at a net interest rate of 2.98%. The debt will mature on or before October 23, 2020 and November 1, 2020, respectively.

Subsequent Purchases and Contracts

Subsequent to yearend, the District approved the Transportation Contract addendum with a transportation provider. The estimated contract amount for 2019/2020 fiscal year is \$1,601,147.

16. Construction Commitments

On April 2, 2019, the voters in the District approved a \$59.9 million-dollar referendum for additions and renovations to nearly every school. As of June 30, 2019, the District's facilities were undergoing remodeling and upgrades as approved by the referendum. The District has the following contract commitments related to construction projects:

	Estimated Total Contract	Expenditures through June 30, 2019	Estimated Remaining Commitment
Architectural Fees:			
East Elementary School Addition & Renovation	\$ 262,800	\$ 87,250	\$ 175,550
Consolidated School Addition & Renovation	42,750	17,100	25,650
Harmony Elementary School Addition & Renovation	103,545	34,377	69,168
Middle School Addition & Renovation	385,000	71,995	313,005
High School Addition & Renovation	2,029,091	245,520	1,783,571
West Elementary School Addition & Renovation	174,000	57,768	116,232
Elementary Schools Referendum Projects Construction	9,097,140	-	9,097,140
Referendum Project Management Fee	585,000	40,625	544,375
Pool Improvement	458,149	133,313	324,836
	<u>\$ 2,997,186</u>	<u>\$ 514,010</u>	<u>\$ 2,483,176</u>

17. Effect of New Accounting Standards on Current Financial Statements

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 14,407,330	\$ 14,331,682	\$ 14,331,682	\$ -
Other Local Sources	701,495	794,831	794,831	-
Inter-District Sources	2,292,791	1,904,756	1,917,257	12,501
Intermediate Sources	4,706	8,899	3,188	(5,711)
State Sources	23,920,398	24,259,999	24,247,500	(12,499)
Federal Sources	531,596	465,470	471,182	5,712
Other Sources	61,200	174,982	174,982	-
Total Revenues	<u>41,919,516</u>	<u>41,940,619</u>	<u>41,940,622</u>	<u>3</u>
EXPENDITURES				
Instruction:				
Regular Instruction	15,945,168	15,960,007	15,960,007	-
Vocational Instruction	1,173,694	1,171,083	1,171,083	-
Special Instruction	403,519	412,724	412,724	-
Other Instruction	2,039,171	1,998,247	1,998,250	(3)
Total Instruction	<u>19,561,552</u>	<u>19,542,061</u>	<u>19,542,064</u>	<u>(3)</u>
Support Services:				
Pupil Services	901,646	895,159	895,159	-
Instructional Staff Services	1,966,227	1,922,806	1,922,806	-
General Administration Services	1,109,258	685,197	685,197	-
Building Administration Services	2,419,189	2,354,787	2,354,787	-
Business Services	1,008,674	998,152	998,152	-
Operations and Maintenance	2,845,092	3,044,912	3,044,912	-
Pupil Transportation	1,584,158	1,565,784	1,565,784	-
Central Services	179,582	312,523	312,523	-
Insurance	319,764	310,596	310,596	-
Other Support Services	711,910	975,937	975,937	-
Total Support Services	<u>13,045,500</u>	<u>13,065,853</u>	<u>13,065,853</u>	<u>-</u>
Debt Service:				
Principal and Interest	692,355	1,332,271	1,332,271	-
Total Debt Service	<u>692,355</u>	<u>1,332,271</u>	<u>1,332,271</u>	<u>-</u>
Capital Outlay	1,082,766	3,591,949	3,619,031	(27,082)
Purchased and Non-Program Services	3,396,922	3,400,657	3,400,657	-
Total Expenditures	<u>37,779,095</u>	<u>40,932,791</u>	<u>40,959,876</u>	<u>(27,085)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,140,421</u>	<u>1,007,828</u>	<u>980,746</u>	<u>(27,082)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	841,777	841,777	-
Transfer to Special Education Fund	(4,047,632)	(4,051,570)	(4,051,570)	-
Transfer to Food Service Fund	-	(1,915)	(1,915)	-
Transfer to Other Funds	(92,789)	(201,555)	(201,555)	-
Capital Lease Proceeds	-	2,357,150	2,357,150	-
Total Other Financing Sources and Uses	<u>(4,140,421)</u>	<u>(1,056,113)</u>	<u>(1,056,113)</u>	<u>-</u>
Net Change in Fund Balances	-	(48,285)	(75,367)	(27,082)
Fund Balances - Beginning	7,198,678	7,198,678	7,198,678	-
Fund Balances - Ending	<u>\$ 7,198,678</u>	<u>\$ 7,150,393</u>	<u>\$ 7,123,311</u>	<u>\$ (27,082)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State	\$ 1,331,329	\$ 1,312,424	\$ 1,312,424	\$ -
Federal	893,459	772,006	772,006	-
Total Revenues	<u>2,224,788</u>	<u>2,084,430</u>	<u>2,084,430</u>	<u>-</u>
EXPENDITURES				
Instruction				
Special Instruction	4,095,837	3,985,433	3,985,433	-
Total Instruction	<u>4,095,837</u>	<u>3,985,433</u>	<u>3,985,433</u>	<u>-</u>
Support Services				
Pupil Services	858,460	842,475	842,475	-
Instructional Staff Services	311,194	279,085	279,085	-
Business Services	8,000	4,798	4,798	-
Operations and Maintenance	4,095	4,186	4,186	-
Pupil Transportation	425,000	416,598	416,598	-
Central Services	3,200	5,807	5,807	-
Total Support Services	<u>1,609,949</u>	<u>1,552,949</u>	<u>1,552,949</u>	<u>-</u>
Capital Outlay	246,287	251,487	251,487	-
Non-Program Services	<u>320,347</u>	<u>346,131</u>	<u>346,131</u>	<u>-</u>
Total Expenditures	<u>6,272,420</u>	<u>6,136,000</u>	<u>6,136,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,047,632)</u>	<u>(4,051,570)</u>	<u>(4,051,570)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>4,047,632</u>	<u>4,051,570</u>	<u>4,051,570</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2019**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 41,940,622	\$ 2,084,430
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	2,084,430	(2,084,430)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 44,025,052	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 40,959,876	\$ 6,136,000
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	6,136,000	(6,136,000)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 47,095,876	\$ -

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, 2019**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability			
Service costs	\$ 1,127,086	\$ 895,916	\$ 895,916
Interest	454,932	364,044	358,710
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	70,550	-
Changes in assumptions or other inputs	(232,257)	300,085	-
Benefit payments	(647,254)	(1,118,553)	(1,035,132)
Net change in total OPEB	<u>702,507</u>	<u>512,042</u>	<u>219,494</u>
Total OPEB Liability-Beginning	12,758,155	12,246,113	12,026,619
Total OPEB Liability-Ending (a)	<u>\$ 13,460,662</u>	<u>\$ 12,758,155</u>	<u>\$ 12,246,113</u>
Fiduciary Net Position			
Contributions - employer	\$ 1,037,011	\$ 1,097,980	\$ 1,096,681
Net investment income	17,971	8,068	4,466
Benefit payments	(647,254)	(1,118,553)	(1,035,132)
Other adjustment	-	20,503	-
Net change in fiduciary net position	<u>407,728</u>	<u>7,998</u>	<u>66,015</u>
Fiduciary Net Position-Beginning	2,076,565	2,068,567	2,002,552
Fiduciary Net Position-Ending (b)	<u>\$ 2,484,293</u>	<u>\$ 2,076,565</u>	<u>\$ 2,068,567</u>
Net OPEB Liability			
Net OPEB Liability - ending (a) - (b)	<u>\$ 10,976,369</u>	<u>\$ 10,681,590</u>	<u>\$ 10,177,546</u>
Fiduciary net position as a percentage of the Total OPEB Liability	18.46%	16.28%	16.89%
Covered Employee Payroll	\$ 19,204,027	\$ 19,204,027	\$ 17,426,758
Total OPEB Liability as a percentage of covered-employee payroll	57.16%	55.62%	58.40%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 1,561,508	\$ 1,266,953	\$ 1,266,953
Contributions in Relation to the ADC	846,354	1,037,011	1,097,980
Contribution Deficiency/(Excess)	<u>\$ 715,154</u>	<u>\$ 229,942</u>	<u>\$ 168,973</u>
Covered-Employee Payroll	\$ 19,476,859	\$ 19,476,859	\$ 19,204,027
Contributions as a Percentage of Covered-Employee Payroll	4.35%	5.32%	5.72%

Data presented as of the fiscal year ended.

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin
District Supplemental Pension Plan Schedules
As of the Measurement Date
June 30, 2019**

Schedule of Changes in Total Pension Liability

Last 10 Years*

Changes for the Year	2018	2017	2016
Service Costs	\$ 28,800	\$ 37,027	\$ 37,027
Interest	11,907	15,381	15,952
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experiences	-	(85,532)	-
Changes of Assumptions or Other Inputs	(5,588)	(79,569)	-
Benefit Payments	(46,848)	(64,551)	(79,443)
Net Change in Total Pension Liability	(11,729)	(177,244)	(26,464)
Total Pension Liability - Beginning	349,227	526,471	552,935
Total Pension Liability - Ending	<u>\$ 337,498</u>	<u>\$ 349,227</u>	<u>\$ 526,471</u>
 Covered Payroll	 \$ 4,819,713	 \$ 4,819,713	 \$ 4,850,579
Total Pension Liability as a Percentage of Covered Payroll	7.00%	7.25%	10.85%

* Data presented as of the measurement date

See accompanying notes to the required supplementary information.

**School District of Milton
Milton, Wisconsin**

**Wisconsin Retirement System
June 30, 2019**

**Schedule of Proportionate Share of the Net Pension Liability (Asset)
As of the Measurement Date
Last 10 Calendar 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)
2018	0.13598820%	\$ 4,838,033	\$ 21,024,884	23.01%	96.45%
2017	-0.13159675%	(3,907,263)	20,585,052	(18.98%)	102.93%
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
2019	\$ 1,417,633	\$ (1,417,633)	\$ -	\$ 21,345,777	6.64%
2018	1,403,713	(1,403,713)	-	20,725,101	6.77%
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.*

See accompanying notes to the required supplementary information.

SCHOOL DISTRICT OF MILTON
Notes to Required Supplementary Information
For The Year Ended June 30, 2019

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:

Fund	Function	Variance Amount
General	Capital Outlay	\$ 27,082

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 7 preceding years.

Actuarial assumptions

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	30 year Level %
Discount Rate	3.75%
Inflation	2.50%

Change of benefit terms

There were no changes of benefit terms during the year.

Change of assumptions

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.75%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2017.

SCHOOL DISTRICT OF MILTON
Notes to Required Supplementary Information
For The Year Ended June 30, 2019

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 7 preceding years.

Changes of benefit terms

There were no changes of benefit terms during the year.

Changes of assumptions

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.75%) as of the measurement date in order to be compliant with GASB 73. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2017.

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 5 preceding years.

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total pension liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

OTHER SUPPLEMENTAL INFORMATION

**School District of Milton
Milton, Wisconsin**

**Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assets:				
Cash and Cash Equivalents	\$ 149,484	\$ 465,190	\$ 455,862	\$ 158,812
Total Assets	<u>\$ 149,484</u>	<u>\$ 465,190</u>	<u>\$ 455,862</u>	<u>\$ 158,812</u>
Liabilities:				
Milton High School	\$ 132,897	\$ 425,335	\$ 419,210	\$ 139,022
Milton Middle School	13,467	32,391	29,154	16,704
Northside Elementary	3,120	7,464	7,498	3,086
Total Liabilities	<u>\$ 149,484</u>	<u>\$ 465,190</u>	<u>\$ 455,862</u>	<u>\$ 158,812</u>

**School District of Milton
Milton, Wisconsin**

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019**

	<u>Debt Service</u>	<u>Special Revenue Trust</u>	<u>Community Service Fund</u>	<u>Package Cooperative Fund</u>	<u>Total Non- Major Governmental Funds</u>
ASSETS					
Cash and Investments	\$ -	\$ 45,624	\$ 73,194	\$ -	\$ 118,818
Restricted Cash and Investments	287,792	-	-	-	287,792
Accounts Receivable	-	-	1,075	-	1,075
Due from Other Funds	-	-	10	-	10
Due from Other Governments	-	-	-	15,422	15,422
Total Assets	<u>\$ 287,792</u>	<u>\$ 45,624</u>	<u>\$ 74,279</u>	<u>\$ 15,422</u>	<u>\$ 423,117</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 93	\$ -	\$ 93
Due to Other Fund	-	-	-	15,422	15,422
Total Liabilities	<u>-</u>	<u>-</u>	<u>93</u>	<u>15,422</u>	<u>15,515</u>
Fund Balances:					
Restricted	287,792	-	-	-	287,792
Assigned	-	45,624	74,186	-	119,810
Total Fund Balances	<u>287,792</u>	<u>45,624</u>	<u>74,186</u>	<u>-</u>	<u>407,602</u>
Total Liabilities and Fund Balances	<u>\$ 287,792</u>	<u>\$ 45,624</u>	<u>\$ 74,279</u>	<u>\$ 15,422</u>	<u>\$ 423,117</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, 2019**

	<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>
REVENUES						
Property Taxes	\$ 71,300	\$ -	\$ 253,404	\$ -	\$ -	\$ 324,704
Other Local Sources	979	4,509	55,548	168	869	62,073
Inter-District Sources	-	-	-	-	28,248	28,248
Total Revenues	<u>72,279</u>	<u>4,509</u>	<u>308,952</u>	<u>168</u>	<u>29,117</u>	<u>415,025</u>
EXPENDITURES						
Instruction:						
Special Instruction	-	-	-	-	158,812	158,812
Other Instruction	-	1,001	-	-	520	1,521
Total Instruction	<u>-</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>159,332</u>	<u>160,333</u>
Support Services:						
Pupil Services	-	-	-	-	7,504	7,504
Instruction Staff Service	-	-	-	-	277	277
Business Services	-	-	1,104	-	51	1,155
Operations and Maintenance	-	-	163,853	-	57,064	220,917
Pupil transportation	-	-	-	-	1,957	1,957
Central Services	-	-	-	-	1,299	1,299
Community Services	-	-	138,874	-	-	138,874
Total Support Services	<u>-</u>	<u>-</u>	<u>303,831</u>	<u>-</u>	<u>68,152</u>	<u>371,983</u>
Debt Service:						
Principal	120,000	-	-	-	-	120,000
Interest and Fiscal Charges	57,250	-	-	-	-	57,250
Total Debt Service	<u>177,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,250</u>
Purchased and Non-Program Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,188</u>	<u>3,188</u>
Total Expenditures	<u>177,250</u>	<u>1,001</u>	<u>303,831</u>	<u>-</u>	<u>230,672</u>	<u>712,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(104,971)</u>	<u>3,508</u>	<u>5,121</u>	<u>168</u>	<u>(201,555)</u>	<u>(297,729)</u>
OTHER FINANCING SOURCES (USES)						
Premium on Long-term Debt Issuance	343,227	-	-	-	-	343,227
Transfers In	23,608	-	-	-	201,555	225,163
Transfer Out	-	-	-	(23,608)	-	(23,608)
Total Other Financing Sources and Uses	<u>366,835</u>	<u>-</u>	<u>-</u>	<u>(23,608)</u>	<u>201,555</u>	<u>544,782</u>
Net Change in Fund Balances	261,864	3,508	5,121	(23,440)	-	247,053
Fund Balances - Beginning	25,928	42,116	69,065	23,440	-	160,549
Fund Balances - Ending	<u>\$ 287,792</u>	<u>\$ 45,624</u>	<u>\$ 74,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,602</u>

SINGLE AUDIT

SCHOOL DISTRICT OF MILTON
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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, 2018</u>	Receipts	Expenditures	Receivable <u>June 30, 2019</u>
U.S. Department of Agriculture						
Passed through Wisconsin Department of Public Instruction:						
<u>Child Nutrition Cluster</u>						
Donated Commodities	10.555	Not Available	\$ -	\$ 67,679	\$ 67,679	\$ -
Food Service Aid - Breakfast	10.553	2019-533612-SB-546	673	28,065	27,392	-
National School Lunch Program	10.555	2019-533612-NSL-547	5,418	298,057	292,639	-
Total Child Nutrition Cluster			6,091	393,801	387,710	-
Total U.S. Department of Agriculture			6,091	393,801	387,710	-
U.S. Department of Education						
Passed through Wisconsin Department of Public Instruction:						
ESEA Title II-A Teacher/Principal	84.367	2019-533612-TIIA-365	11,551	69,731	59,940	1,760
Student Support and Academic Enrichment Program	84.424	2019-533612-TIVA-381	-	6,808	12,520	5,712
School Safety National Activities	84.184	Not Available	-	2,000	2,000	-
ESEA Title I-A Basic Grant	84.010	2019-533612-TIA-141	170,350	376,245	336,134	130,239
<u>Special Education Cluster (IDEA)</u>						
IDEA Flow Through	84.027	2019-533612-IDEA-FT-341	101,807	595,014	658,647	165,440
IDEA CEIS Entitlement	84.027	Not Available	-	2,735	2,735	-
IDEA Preschool Entitlement	84.173	2019-533612-IDEA-PS-347	30	6,852	13,964	7,142
High Cost of Special Education Aid	84.027	Not Available	-	24,020	24,020	-
Total Special Education Cluster (IDEA)			101,837	628,621	699,366	172,582
<u>Career and Technical Education Basic Grants</u>						
Passed through School District of Edgerton:						
Carl Perkins	84.048	Not Available	1,848	3,168	2,257	937
Total Career and Technical Education Basic Grants			1,848	3,168	2,257	937
Passed through CESA 2:						
ESEA III-A English Language Acquis	84.365	2019-749902-Immigrant-371	4,482	7,670	3,188	-
Total U.S. Department of Education			290,068	1,094,243	1,115,405	311,230
U.S. Department of Health and Human Services						
Passed through Wisconsin Department of Health Services:						
Medical Assistance Program	93.778	Not Available	-	116,630	116,630	-
Total U.S. Department of Health and Human Services			-	116,630	116,630	-
Total Federal Awards			\$ 296,159	\$ 1,604,674	\$ 1,619,745	\$ 311,230

See notes to schedules of awards

SCHOOL DISTRICT OF MILTON
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2019

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	Pass-through Entity <u>ID Number</u>	Receivable July 1, 2018	Receipts	Expenditures	Receivable June 30, 2019
Wisconsin Department of Public Instruction:						
Entitlement Programs:						
Special Education and School Age Parents						
Direct State Payments	255.101	533612-100	\$ -	\$ 1,212,571	\$ 1,212,571	\$ -
Subtotal Special Education and School Age Parents			-	1,212,571	1,212,571	-
Common School Fund Library	255.103	533612-104	-	151,601	151,601	-
Pupil Transportation	255.107	533612-102	-	77,123	77,123	-
Equalization	255.201	533612-116	361,842	21,144,990	21,136,628	353,480
Per Pupil Aid	255.945	533612-113	-	2,300,118	2,300,118	-
High Cost of Special Education	255.210	533612-119	-	89,853	89,853	-
Personal Electronic Computing Device	255.296	533612-175	-	37,350	37,350	-
Aid for School Mental Health Programs	255.227	533612-176	-	2,624	2,624	-
Aid for Special Education Transition Grant	255.960	533612-168	-	10,000	10,000	-
Cost Reimbursement Programs:						
State School Lunch	255.102	533612-107	-	11,159	11,159	-
WI School Day Milk Program	255.115	533612-109	-	3,566	3,566	-
School Breakfast Program	255.344	533612-108	-	1,866	1,866	-
Educator Effective Evaluation System Grant	255.940	533612-154	-	19,600	19,600	-
Career and Technical Education Incentive Grants	255.950	533612-171	-	32,000	32,000	-
Assessments of Reading Readiness	255.956	533612-166	-	12,634	12,634	-
Passed through School District of Beloit						
Peer Review and Mentoring	255.301	533612-141	-	12,500	12,500	-
Subtotal Wisconsin Department of Public Instruction			361,842	25,119,555	25,111,193	353,480
Department of Workforce Development:						
Passed Through District of Edgerton						
School - to - Work Partnership Youth Grant	445.107	Not Available	13,740	13,740	14,599	14,599
Department of Justice:						
Safe School Initiative	455.206	Not Available	-	167,290	331,826	164,536
Total State Awards			\$ 375,582	\$ 25,300,585	\$ 25,457,618	\$ 532,615

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, 2019

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

2018-2019 eligible costs under the State Special Education Program are \$4,996,675.

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 (\$67,679).

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.



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

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, the 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, 2019, 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 22, 2019.

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 School District of Milton's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Milton'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 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 School District of Milton'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.
November 22, 2019



JOHNSON BLOCK

CPAs

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

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 and state programs with limited required procedures for the year ended June 30, 2019. The School District of Milton's major federal and state programs and state programs with limited required procedures 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 and state 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 and state programs with limited required procedures 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 and for each state program with limited required procedures. 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 and state programs with limited required procedures for the year ended June 30, 2019.

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 School District of Milton'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 and each state program with limited required procedures 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 for each state program with limited required procedures 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.
November 22, 2019

SCHOOL DISTRICT OF MILTON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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>
10.553, 10.555	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, 2019

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

Major State Programs

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 State Single Audit Guidelines or the Wisconsin Public School District Audit Manual 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
455.206	Safe School Initiative

Dollar threshold for distinguishing Types A and B programs: \$250,000

Other Programs with Limited Required Procedures

Internal control over programs with required procedures:

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

Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School District Audit Manual No

Identification of other programs with limited required procedures:

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

Section II – Financial Statement Finding

None

Section III – Major Federal and State Award Findings and Questioned Costs

None

Section IV – Other Programs with Limited Required Procedures Findings and Questioned Costs

None

SCHOOL DISTRICT OF MILTON
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section V – 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, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines: | |
| | Department of Corrections | N/A |
| | Department of Health Services | No |
| | Department of Workforce Development | No |
| | Department of Public Instruction | No |
| | Department of Administration | N/A |
| | Department of Justice | No |
| 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 | 
<hr/> Kevin Krysinski, CPA |
| 5. | Date of report: | November 22, 2019 |

SCHOOL DISTRICT OF MILTON
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2019

Federal and State Award Findings and Questioned Costs

None