



**Johnson & Block**  
AND COMPANY, INC.

Certified Public Accountants

**SCHOOL DISTRICT OF MILTON**

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

**For the Year Ended June 30, 2016**

*Quality service through our commitment to clients and staff.*

[www.johnsonblock.com](http://www.johnsonblock.com)

**SCHOOL DISTRICT OF MILTON**

**Table of Contents**

**For the Year Ended June 30, 2016**

---

	Page
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	i-x
FINANCIAL STATEMENTS:	
Statement of Net Position – Governmental and Business-type Activities .....	1
Statement of Activities – Governmental and Business-type Activities.....	2
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Statement of Net Position – Proprietary Funds .....	7
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	8
Statement of Cash Flows – Proprietary Funds .....	9
Statement of Fiduciary Net Position.....	10
Statement of Changes in Fiduciary Net Position – Employee Benefit Trust .....	11
Notes to Financial Statements .....	12-35
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule for the General Fund – Budget and Actual .....	36
Budgetary Comparison Schedule for the Special Education Fund – Budget and Actual.....	37
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures .....	38
Schedule of Funding Progress for Other Post-Employment Benefits (OPEB) Plan, and Schedule of Funding Progress for Supplemental Pension (Stipend) Benefit.....	39
Wisconsin Retirement System Schedules .....	40

**SCHOOL DISTRICT OF MILTON**

**Table of Contents (Continued)**

**For the Year Ended June 30, 2016**

---

**OTHER SUPPLEMENTAL INFORMATION:**

Schedule of Changes in Assets and Liabilities – Agency Funds..... 41  
Combining Balance Sheet – Non-Major Governmental Funds..... 42  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances – Non-Major Governmental Funds ..... 43

**SINGLE AUDIT:**

**SCHEDULES OF FEDERAL AND STATE AWARDS:**

Schedule of Expenditures of Federal Awards..... 44  
Schedule of Expenditures of State Awards..... 45  
Notes to Schedules of Expenditures of Federal and State Awards ..... 46

**SINGLE AUDIT REPORTS AND SCHEDULES**

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.....47-48  
Independent Auditor’s Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance and the  
State Single Audit Guidelines .....49-51  
Schedule of Findings and Questioned Costs .....52-55



Certified Public Accountants

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

## INDEPENDENT AUDITOR'S REPORT

December 19, 2016

To the School Board  
School District of Milton  
Milton, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Milton ("District") as of and for the year ended June 30, 2016, 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, 2016, 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, budgetary comparison information, Schedule of Funding Progress, and Wisconsin Retirement System Schedules, on pages i-x and pages 36-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Johnson Block & Company, Inc.*

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

**SCHOOL DISTRICT OF MILTON**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A STATEMENT)**  
**JUNE 30, 2016**

This is the twelfth year the School District of Milton (the “District”) is filing the audit statement in compliance with the Government Accounting Standards Board Statement 34 (GASB 34).

**FINANCIAL HIGHLIGHTS**

Total governmental assets of the District are \$39,667,234 and total deferred outflows of resources are \$10,662,669. Total governmental net position after deducting liabilities and deferred inflows of resources are \$35,059,739.

In terms of general fund operations, we had a Deficit of Revenues and Other Sources over Expenditures and Other Uses of \$511,024. This decreased our fund balance from \$7,925,171 at the beginning of the year to \$7,414,147 at year-end. This fund balance is approximately 18.3% of our general fund 2015-2016 actual expenditures. Because this fund balance does not meet cash flow timing needs, annual, short-term borrowing is necessary.

The District experienced an increase of 47 students in enrollment (September DPI Student Headcount) in 2015-16. The increase in overall student enrollment can be attributed to a larger incoming 4 year old kindergarten classes (MPK). In 2014-2015, our 4 year old kindergarten resident enrollment reported to DPI was 172 students. In 2015-2016, our 4 year old kindergarten resident enrollment increased to 190 students. Overall, resident enrollment through 3<sup>rd</sup> grade, increased by 15 students. However, the graduating senior class in 2015-2016 had 251 resident students on the count date, compared to 272 in 2014-2015. The trend shows smaller incoming classes than classes exiting the District.

In 2014-2015, the District fully implemented the 1:1 device initiative providing all students access to a computer. In 2015-2016, the District entered into a new tax-exempt four year lease with Apple Financial Services in the amount of \$2,733,849.50 (8038-G) to continue and enhance the 1:1 device initiative.

The 2015-2016 fiscal year was the third year the District utilized an HRA (Health Reimbursement Arrangement) to lower health insurance premium costs for the District and employees. The HRA trended close to (60% estimated utilization) budget assumptions, and closed the fiscal year with an Assigned Fund Balance of \$103,114. A new Teacher’s Compensation Model was developed to attract and retain professional staff. The new Model is aligned to the Strategic Plan and will be implemented beginning with the 2016-2017 fiscal year.

A Facilities Advisory Community Team (FACT) was approved by the Board of Education to study instructional and facility needs in the District. In May, Board of Education approved bids for general contracting for the parking and traffic flow project at East Elementary to commence in July of 2016. The not to exceed contract amount was approved at \$568,000, with engineering and design fees not to exceed \$33,000. In addition, the Board approved a contract for engineering and design work in the amount of \$36,000 for a potential (future) parking lot expansion and traffic flow project at Schilberg Park. Also in 2015-2016, the Board of Education approved a proposal for replacing fire doors and rekeying the high school for a total cost of \$191,118. These projects relate to the Strategic Plan objective of improving school safety. The high school pool was regouted (\$11,000) and replacement netting for the ball diamonds was installed at Schilberg Park. The afore projects listed are in addition to the annual (\$450,000) capital maintenance budget (“Living Document”) and small projects budget.

At nearly every meeting, the Board of Education graciously accepts gifts and donations from the community that assists programs and projects for our students and staff. Gift and donations recorded in 2015-2016 totaled \$137,031. An unexpected one-time revenue received was \$111,589.87 which was a class-action settlement (WEA Insurance Corp.) regarding the Early Retiree Reinsurance Program (ERRP) which was included in the Affordable Care Act. In July 2016, The Board voted to approve an additional contribution to the Irrevocable Benefit Trust (Fund 73-OPEB) in the amount of \$111,589.87.

The general fund (Fund 10) reported a decrease in fund balance of \$511,024 at the end of the fiscal year. The adopted Original Budget (October) had a planned general fund balance decrease of \$761,364. The food service fund (Fund 50) experienced revenues exceeding expenditures by \$59,963 and increased the food service fund balance to \$161,551. The aforementioned numbers are before the full accrual basis adjustments. On a full accrual basis, expenditures exceeded revenues by \$21,561 and fund balance is reduced to \$80,026. 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 just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements.

The notes to the financial statement provides further explanation of some of the information in the statements and provides additional disclosures so statement users have 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.

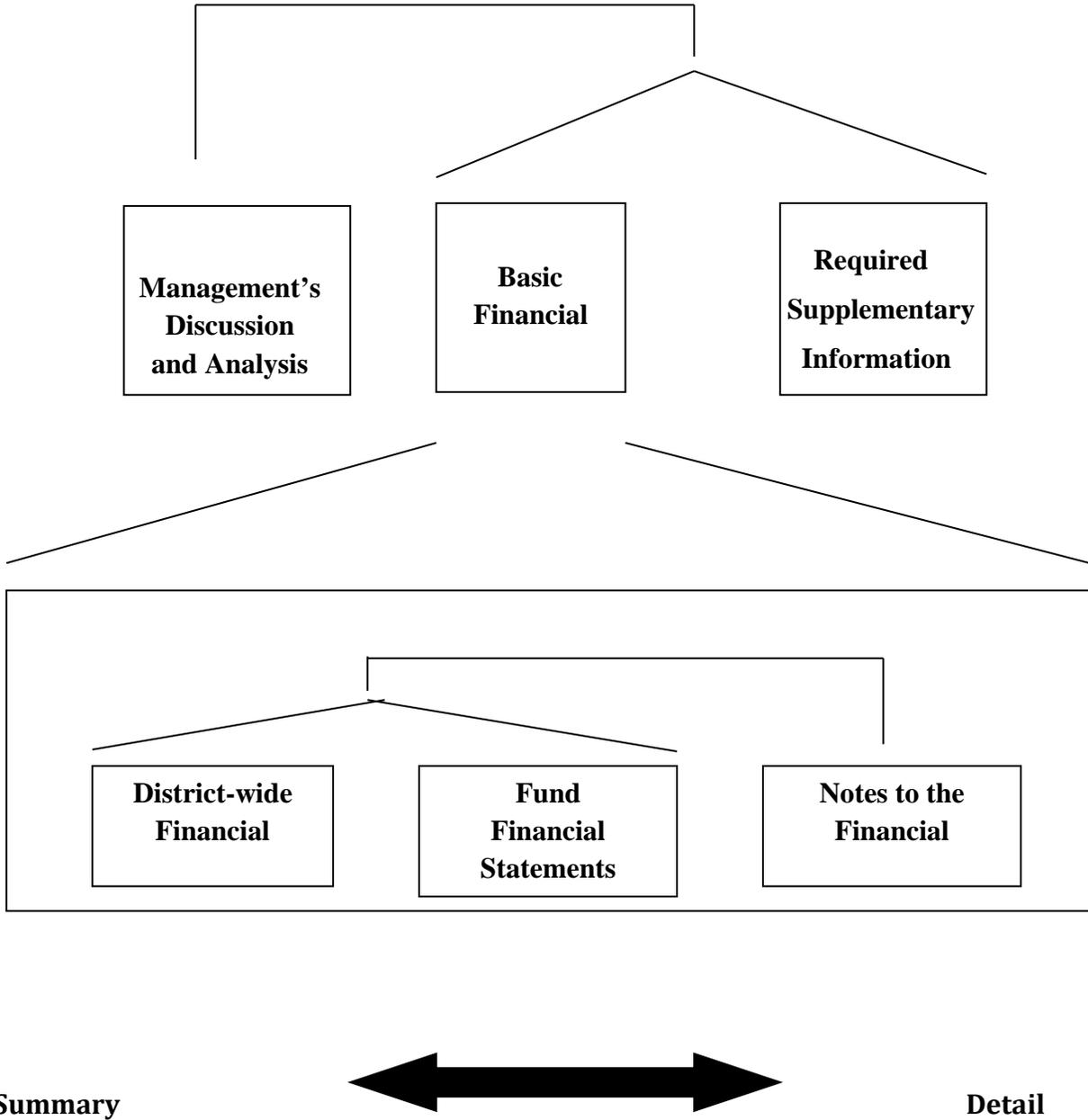


Figure A-2 summarizes the major features of the District’s financial statement, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

## 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 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.

## FINANCIAL ANALYSES

### Statement of Net Position

Table 1 provides a summary of the District's Net Position for the period ended June 30, 2016. The Food Service Net Position are 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	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 11.7	\$ 10.2	\$ 0.2	\$ 0.1	\$ 11.9	\$ 10.3
Capital assets	27.3	27.5	-	0.1	27.3	27.6
Restricted assets	0.7	4.0	-	0.1	0.7	4.1
Total Assets	<u>\$ 39.7</u>	<u>\$ 41.7</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>	<u>\$ 39.9</u>	<u>\$ 42.0</u>
Deferred outflows	<u>\$ 10.7</u>	<u>\$ 2.6</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 10.9</u>	<u>\$ 2.7</u>
Long-term debt outstanding	\$ 4.3	\$ 2.7	\$ -	\$ -	\$ 4.3	\$ 2.7
Other liabilities	6.8	2.9	0.1	0.1	6.9	3.0
Total Liabilities	<u>\$ 11.1</u>	<u>\$ 5.6</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 11.2</u>	<u>\$ 5.7</u>
Deferred inflows	<u>\$ 4.2</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 4.3</u>	<u>\$ -</u>
Net Investment in						
Capital Assets	\$ 23.0	\$ 24.8	\$ -	\$ 0.1	\$ 23.0	\$ 24.9
Restricted	0.8	6.6	0.2	0.2	1.0	6.8
Unrestricted	11.3	7.3	-	-	11.3	7.3
Total Net Position	<u>\$ 35.1</u>	<u>\$ 38.7</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>	<u>\$ 35.3</u>	<u>\$ 39.0</u>

In governmental activities, the largest portion (66%) 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.

Table 2 shows the changes in Net Position for the fiscal year ended June 30, 2016 from all governmental activities. As shown below, general revenues provide about 86% of the funding for governmental activities. The District relies on property taxes for 34% 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>	
	2016	2015	2016	2015	2016	2015
<b>General Revenues:</b>						
Property taxes	\$ 13.1	\$ 13.2	\$ -	\$ -	\$ 13.1	\$ 13.2
State formula aid	19.7	19.7	-	-	19.7	19.7
Other	0.2	0.1	-	-	0.2	0.1
<b>Total general revenues</b>	<u>33.0</u>	<u>33.0</u>	<u>-</u>	<u>-</u>	<u>33.0</u>	<u>33.0</u>
<b>Program revenues:</b>						
Charges for service	2.7	2.5	0.7	0.7	3.4	3.2
Grants and Contributions	2.8	2.8	0.4	0.5	3.2	3.3
<b>Total program revenues</b>	<u>5.5</u>	<u>5.3</u>	<u>1.1</u>	<u>1.2</u>	<u>6.6</u>	<u>6.5</u>
<b>Total revenues</b>	<u>38.5</u>	<u>38.3</u>	<u>1.1</u>	<u>1.2</u>	<u>39.6</u>	<u>39.5</u>
<b>Program Expenses:</b>						
Instruction	24.2	22.2	-	-	24.2	22.2
Pupil & instructional services	3.1	3.5	-	-	3.1	3.5
Administration and business	5.1	4.3	-	-	5.1	4.3
Maintenance and operations	3.7	3.7	-	-	3.7	3.7
Transportation	1.4	1.5	-	-	1.4	1.5
Community service	0.1	0.1	-	-	0.1	0.1
Interest on debt	-	-	-	-	-	-
Other	1.9	2.0	1.1	1.2	3.0	3.2
<b>Total Expenses</b>	<u>39.5</u>	<u>37.3</u>	<u>1.1</u>	<u>1.2</u>	<u>40.6</u>	<u>38.5</u>
Transfers In (Out)	-	-	-	-	-	-
Special Item - Gain (Loss) on Disposal	(2.4)	-	(0.1)	-	(2.5)	-
<b>Change in Net Position</b>	<b>(3.4)</b>	<b>1.0</b>	<b>(0.1)</b>	<b>-</b>	<b>(3.5)</b>	<b>1.0</b>
Beginning Net Position, Restated	<u>38.7</u>	<u>37.7</u>	<u>0.3</u>	<u>0.3</u>	<u>39.0</u>	<u>38.0</u>
<b>Ending Net Position</b>	<u><u>\$ 35.3</u></u>	<u><u>\$ 38.7</u></u>	<u><u>\$ 0.2</u></u>	<u><u>\$ 0.3</u></u>	<u><u>\$ 35.5</u></u>	<u><u>\$ 39.0</u></u>

## Capital Asset and Debt Administration

### Capital Assets:

At the end of the 2016 fiscal year, the District had invested over \$53.5 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 5. Total accumulated depreciation on these assets was \$26.1 million for governmental activities and \$0.1 million for business-type activities.

- Asset acquisition for governmental activities totaled \$3,732,678 and \$6,320 for the food service program.
- Asset adjustment for governmental activities totaled \$447,009 with accumulated depreciation of \$39,948.
- The District recognized depreciation expense of \$2,015,229 (including accumulated depreciation adjustment) for governmental activities and \$8,108 for the food service program during the fiscal year.
- Major capital asset additions for the year included: boiler, Cisco catalyst, scoreboard, carpet replacement, doors, HVAC controls replacement, LED fixtures, roof replacement, soffit replacement, hardwood floor, piping replacement, principal's office remodel, metal shop exhaust replacement, tech department remodel, fire doors, security cameras, PA sound system with speakers, hydraulic brake, phone router, firewall, rack server, powerlite projector with screen, Macbook Pro, tractor, haulmark enclosed trailer.

**Table 3**  
**Capital Assets**  
**(in millions of dollars)**

	<u>Governmental</u>		<u>Business-type</u>		<u>School District</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land & improvements	\$ 2.7	\$ 2.6	\$ -	\$ -	\$ 2.7	\$ 2.6
Building & building improvements	44.1	43.7	-	-	44.1	43.7
Equipment & furniture	6.6	8.7	0.1	0.5	6.7	9.2
Accumulated depreciation	(26.1)	(27.5)	(0.1)	(0.4)	(26.2)	(27.9)
<b>Total</b>	<b>\$ 27.3</b>	<b>\$ 27.5</b>	<b>\$ -</b>	<b>\$ 0.1</b>	<b>\$ 27.3</b>	<b>\$ 27.6</b>

### Long-Term Debt:

At year-end, the District had \$1,060,000 in general obligation notes and bonds and \$3,204,400 in capital leases outstanding. During the fiscal year ending June 30, 2009, the District implemented GASB 45, which accounts for other post-employment benefit (OPEB) liabilities. The District's annual required contribution for this fiscal year was \$1,330,088. The District's actual contribution for the fiscal year was \$1,096,681. As a result of contributing more than the requirement, the District has a cumulative net OPEB asset recorded on the government-wide statements of \$733,448 as of June 30, 2016. Additional information on long-term obligations and the District's OPEB plan can be found in Notes 8 and 12.

## **FUND SUMMARY**

### **General Fund**

The general fund, the main operating fund of the District remains in a financially stable condition. Revenues were less than expenditures by \$511,024. The current general fund balance represents approximately 18.3% of expenditures.

Approximately 33% of revenues come from property taxes, which are guaranteed by the County of Rock. The School Board certifies taxes in November to the Municipal Clerks. The clerks pay the District's proportionate share of collections in January and February. The balance of the taxes are then paid to the County by July 31<sup>st</sup> and remitted to the School District of Milton in August. This year taxes receivable at year-end was \$3,602,798.

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 2015-2016 Budget levied at the maximum allowable amount under the revenue limit. The Board of Education approved general fund revenues at \$35,557,081 and expenditures at \$36,318,445. The Original Budget had anticipated expenditures exceeding revenues by \$761,364. The difference in the slight additional increase to fund balance was primarily due to underspent expenditure budgets in various functions. The largest portion of underspent expenditure accounts related to salary and fringe benefits. The District has utilized new software (Skyward financial modules) to assist in more accurately budgeting for salary and fringe benefits. The continued goal is to get budgeted data as close to actual as possible. At the close of the second fiscal year, the Health Reimbursement Arrangement (HRA) had unspent monies at June 30, 2016 in the amount of \$103,114. These remaining funds were assigned to Fund Balance to be utilized for HRA reimbursement in 2016-2017.

### **Debt Service Fund**

The Debt Service Funds have a fund balance at year-end of \$51,790 (\$27,348 debt service fund and \$24,442 non-referendum debt service fund). This balance is used to pay debt service principal and interest payments due in the fall through December 31st, which is prior to receiving our first property tax payment in January. Debt service payments come solely from property taxes and any interest earned on those taxes. The ending fund balance is less than the beginning fund balance and will continue to decrease as debt is retired. Any excess fund balance is the result of additional interest earnings over budget and will be used to lower the property tax levy in future years. The fund balance is reserved and can only be used for debt service payments.

The District's current Bond Rating is Aa3. Our current debt limit is \$163,913,047 and our current bonds and notes payable are \$1,060,000, leaving a margin of indebtedness of \$162,853,047. This leaves us at 0.65% of our debt limit, a very good position considering districts across the state have a much higher long-term debt percentage.

### **Balance of Governmental Funds**

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

## **Factors Bearing on District's Future**

In November of 2016, the District presented two questions on the ballot for consideration of the electorate. A five year non-recurring revenue limit for \$2,500,000 was approved. Without the additional funds, the District was facing an anticipated shortfall of \$2,021,082 for 2016-2017. The second question asking for \$87,000,000 for the purpose of issuing general obligation bonds “for the public purposed of paying the cost a new school building and improvement program consisting of ADA accessibility requirements, safety, security and capital maintenance improvements at District facilities; additions, renovations and improvements to provide for reconfiguration of grade levels at all District schools and conversions of the current high school to the middle school; construction of a new high school with a swimming pool on land adjacent to the current high school owned by the District; and acquisition of furnishings, fixtures, and equipment?” This question failed by a margin of 49% (no) to 51% (yes). The Board of Education will be discussing any next steps in the near future. Our current long- term debt obligations will be paid in full with the March 2019 payment. If new state aidable debt is not incurred, the loss of state aid will be a financial factor that impacts the district and tax levy. The District continues to address aged facilities, limited and appropriate classroom space, ADA concerns, and limited funds to address the instructional and facility upgrades needed. We are realizing an increase in special education students and students that suffer with mental health issues. Addressing these student needs impacts the District financially. Changes made at the state and national level remain a fiscal concern, and will be monitored to the best of our ability. Examples include, but are not limited to, the provisions and requirements of the federal Affordable Care Act for health insurance and any changes with the new U.S. President, the state voucher and open enrollment programs, and any pending legislative or budgetary changes with the new state biennial budget for 2017-2019. We will need to continue to monitor the operational budget and plan for near future when the five year non-recurring revenue limit support is ending.

Subsequent to fiscal year 2016, the District approved a taxable revolving line of credit with a limit of \$2.5 million for cash flow purposes for the 2016-2017 fiscal year. The line of credit has a term of one year ending no later than September 20, 2017 with an interest rate of 1.50%.

## **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 Business Manager, School District of Milton, 448 E. High Street, Milton, WI 53563 at (608) 868-9200.

**School District of Milton  
Milton, Wisconsin**

**Statement of Net Position  
June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 6,904,256	\$ 114,904	\$ 7,019,160
Receivables:			
Taxes	3,602,798	-	3,602,798
Accounts	7,300	2,090	9,390
Prepaid Expenses	19,982	-	19,982
Due from Other Governments	1,134,699	2,895	1,137,594
Total Current Assets	<u>11,669,035</u>	<u>119,889</u>	<u>11,788,924</u>
Noncurrent Assets:			
Land and Land Improvements	2,687,998	-	2,687,998
Buildings and Building Improvements	44,076,334	-	44,076,334
Furniture and Equipment	6,648,605	138,479	6,787,084
Less: Accumulated Depreciation	<u>(26,148,186)</u>	<u>(112,839)</u>	<u>(26,261,025)</u>
Net Capital Assets	<u>27,264,751</u>	<u>25,640</u>	<u>27,290,391</u>
Total Noncurrent Assets	<u>27,264,751</u>	<u>25,640</u>	<u>27,290,391</u>
Restricted Assets:			
Net OPEB Asset	<u>733,448</u>	-	<u>733,448</u>
Total Restricted Assets	<u>733,448</u>	-	<u>733,448</u>
Total Assets	<u>39,667,234</u>	<u>145,529</u>	<u>39,812,763</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	<u>10,662,669</u>	<u>195,360</u>	<u>10,858,029</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 50,329,903</u>	<u>\$ 340,889</u>	<u>\$ 50,670,792</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 129,826	\$ -	\$ 129,826
Deposits	-	37,344	37,344
Accrued Liabilities:			
Payroll and Related Items	3,860,128	-	3,860,128
Interest	3,355	-	3,355
Due to Fiduciary Funds	77,906	2,519	80,425
Current Portion of Long-Term Obligations	<u>1,878,524</u>	<u>-</u>	<u>1,878,524</u>
Total Current Liabilities	<u>5,949,739</u>	<u>39,863</u>	<u>5,989,602</u>
Noncurrent Liabilities:			
Net Pension Liability	1,994,106	36,536	2,030,642
Noncurrent Portion of Long-Term Obligations	2,385,876	-	2,385,876
Accrued Pension Stipend Liability	<u>721,492</u>	<u>-</u>	<u>721,492</u>
Total Noncurrent Liabilities	<u>5,101,474</u>	<u>36,536</u>	<u>5,138,010</u>
Total Liabilities	<u>11,051,213</u>	<u>76,399</u>	<u>11,127,612</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	<u>4,218,951</u>	<u>77,299</u>	<u>4,296,250</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	23,000,351	25,640	23,025,991
Restricted	785,238	161,551	946,789
Unrestricted	<u>11,274,150</u>	<u>-</u>	<u>11,274,150</u>
Total Net Position	<u>35,059,739</u>	<u>187,191</u>	<u>35,246,930</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 50,329,903</u>	<u>\$ 340,889</u>	<u>\$ 50,670,792</u>

See accompanying notes to the financial statements.

**School District of Milton  
Milton, Wisconsin**

**Statement of Activities  
For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	<b>Program Revenue</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Governmental Activities</b>						
Instruction						
Regular Instruction	\$ 16,944,016	\$ 1,797,811	\$ 792,493	\$ (14,353,712)	\$ -	\$ (14,353,712)
Vocational Instruction	1,004,284	8,623	821	(994,840)	-	(994,840)
Special Education Instruction	4,324,416	262,656	1,283,634	(2,778,126)	-	(2,778,126)
Other Instruction	1,930,673	211,029	396	(1,719,248)	-	(1,719,248)
Total Instruction	<u>24,203,389</u>	<u>2,280,119</u>	<u>2,077,344</u>	<u>(19,845,926)</u>	<u>-</u>	<u>(19,845,926)</u>
Support Services						
Pupil Services	738,200	29,095	321,813	(387,292)	-	(387,292)
Instructional Staff Services	2,364,984	2,641	228,191	(2,134,152)	-	(2,134,152)
General Administration Services	1,983,581	72,676	-	(1,910,905)	-	(1,910,905)
Building Administration Services	2,289,273	631	-	(2,288,642)	-	(2,288,642)
Business Services	822,969	4,745	620	(817,604)	-	(817,604)
Operations and Maintenance	3,699,469	40,000	-	(3,659,469)	-	(3,659,469)
Pupil Transportation	1,449,742	114,654	196,776	(1,138,312)	-	(1,138,312)
Central Services	173,971	-	-	(173,971)	-	(173,971)
Insurance	240,783	33,385	-	(207,398)	-	(207,398)
Interest and Fiscal Charges on Debt	29,930	-	-	(29,930)	-	(29,930)
Other Support Services	216,768	-	-	(216,768)	-	(216,768)
Community Services	156,640	78,982	-	(77,658)	-	(77,658)
Depreciation	1,317,910	-	-	(1,317,910)	-	(1,317,910)
Total Support Services	<u>15,484,220</u>	<u>376,809</u>	<u>747,400</u>	<u>(14,360,011)</u>	<u>-</u>	<u>(14,360,011)</u>
Total Governmental Activities	<u>39,687,609</u>	<u>2,656,928</u>	<u>2,824,744</u>	<u>(34,205,937)</u>	<u>-</u>	<u>(34,205,937)</u>
<b>Business-Type Activities</b>						
Food Service Program	1,121,781	660,002	445,985	-	(15,794)	(15,794)
Total Business-Type Activities	<u>1,121,781</u>	<u>660,002</u>	<u>445,985</u>	<u>-</u>	<u>(15,794)</u>	<u>(15,794)</u>
Total Governmental and Business-Type Activities	<u>\$ 40,809,390</u>	<u>\$ 3,316,930</u>	<u>\$ 3,270,729</u>	<u>(34,205,937)</u>	<u>(15,794)</u>	<u>(34,221,731)</u>
<b>General revenues:</b>						
Taxes:						
Property Taxes, Levied for General Purposes				12,273,324	-	12,273,324
Property Taxes, Levied for Debt Service				637,490	-	637,490
Property Taxes, Levied for Community Services				179,254	-	179,254
Federal and State Aid not Restricted to Specific Purpose						
General				19,648,513	-	19,648,513
Interest and Investment Earnings				14,656	216	14,872
Miscellaneous				198,382	2,723	201,105
Transfers				34,344	(34,344)	-
Total General Revenues				<u>32,985,963</u>	<u>(31,405)</u>	<u>32,954,558</u>
Special Item- Gain (Loss) on Disposal				(2,431,302)	(86,841)	(2,518,143)
Change in Net Position				(3,651,276)	(134,040)	(3,785,316)
Net Position - Beginning				38,711,015	321,231	39,032,246
Net Position - Ending				<u>\$ 35,059,739</u>	<u>\$ 187,191</u>	<u>\$ 35,246,930</u>

See accompanying notes to the financial statements.

**School District of Milton  
Milton, Wisconsin**

**Balance Sheet  
Governmental Funds  
June 30, 2016**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,723,664	\$ 180,592	\$ 6,904,256
Receivables:			
Taxes	3,602,798	-	3,602,798
Accounts	-	7,300	7,300
Prepaid Expenses	19,982	-	19,982
Due from Other Funds	59,542	193	59,735
Due from Other Governments	1,105,153	29,546	1,134,699
Total Assets	<u>\$ 11,511,139</u>	<u>\$ 217,631</u>	<u>\$ 11,728,770</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 129,461	\$ 365	\$ 129,826
Accrued Payroll and Related Items	3,860,128	-	3,860,128
Due to Other Funds	107,403	30,238	137,641
Total Liabilities	<u>4,096,992</u>	<u>30,603</u>	<u>4,127,595</u>
Fund Balances:			
Nonspendable	19,982	-	19,982
Restricted	-	51,790	51,790
Assigned	103,114	135,238	238,352
Unassigned	7,291,051	-	7,291,051
Total Fund Balances	<u>7,414,147</u>	<u>187,028</u>	<u>7,601,175</u>
Total Liabilities and Fund Balances	<u>\$ 11,511,139</u>	<u>\$ 217,631</u>	<u>\$ 11,728,770</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, 2016**

Total fund balance, governmental funds	\$ 7,601,175
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.	27,264,751
Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense 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	6,443,718
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.	
Net OPEB Asset	733,448
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	(1,060,000)
Capital leases payable	(3,204,400)
Accrued interest on long-term debt	(3,355)
Net pension liability	(1,994,106)
Accrued pension stipend liability	(721,492)
Net Position of Governmental Activities in the Statement of Net Position	\$ 35,059,739

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, 2016**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ 12,273,324	\$ 816,744	\$ 13,090,068
Other Local Sources	666,407	88,393	754,800
Inter-district Sources	1,691,132	56,502	1,747,634
Intermediate Sources	10,141	-	10,141
State Sources	21,505,305	-	21,505,305
Federal Sources	1,097,463	-	1,097,463
Other Sources	226,983	897	227,880
Total Revenues	<u>37,470,755</u>	<u>962,536</u>	<u>38,433,291</u>
<b>EXPENDITURES</b>			
Instruction			
Regular Instruction	19,535,561	-	19,535,561
Vocational Instruction	965,203	-	965,203
Special Instruction	3,990,579	182,227	4,172,806
Other Instruction	1,868,362	912	1,869,274
Total Instruction	<u>26,359,705</u>	<u>183,139</u>	<u>26,542,844</u>
Support Services			
Pupil Services	1,468,247	7,162	1,475,409
Instructional Staff Services	1,762,745	-	1,762,745
General Administration Services	1,818,896	-	1,818,896
Building Administration Services	2,200,848	4,390	2,205,238
Business Services	814,593	-	814,593
Operations and Maintenance	3,494,245	181,519	3,675,764
Pupil Transportation	1,440,832	-	1,440,832
Central Services	167,593	1,209	168,802
Insurance	240,783	-	240,783
Other Support Services	193,643	46	193,689
Community Services	-	154,513	154,513
Total Support Services	<u>13,602,425</u>	<u>348,839</u>	<u>13,951,264</u>
Debt Service			
Principal	636,293	625,000	1,261,293
Interest and Fiscal Charges	6,063	14,960	21,023
Total Debt Service	<u>642,356</u>	<u>639,960</u>	<u>1,282,316</u>
Total Expenditures	<u>40,604,486</u>	<u>1,171,938</u>	<u>41,776,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,133,731)</u>	<u>(209,402)</u>	<u>(3,343,133)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	24,054	-	24,054
Capital Lease Proceeds	2,787,454	-	2,787,454
Transfer In	-	188,801	188,801
Transfer Out	(188,801)	-	(188,801)
Total Other Financing Sources and Uses	<u>2,622,707</u>	<u>188,801</u>	<u>2,811,508</u>
Net Change in Fund Balances	(511,024)	(20,601)	(531,625)
Fund Balances - Beginning	7,925,171	207,629	8,132,800
Fund Balances - Ending	<u>\$ 7,414,147</u>	<u>\$ 187,028</u>	<u>\$ 7,601,175</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, 2016**

Net change in fund balances - total governmental funds:	\$ (531,625)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
<p>The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which current year capital outlays and adjustments (\$4,219,635) were less than depreciation (\$2,015,229) in the current period.</p>	
	2,204,406
<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>	
Decrease in Net OPEB Asset	(233,157)
Decrease in Net Pension Stipend Liability	26,029
<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>	
	(2,455,356)
<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>	
	(2,787,454)
<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:	625,000
The amount of capital lease principal payments in the current year is:	627,002
<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	385
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.</p>	
Amount of current year required contributions into the defined benefit pension plan	1,171,484
Actuarially determined change in net pension asset between years, with adjustments	(2,297,990)
Change in net position of governmental activities	\$ (3,651,276)

See accompanying notes to the financial statements.

**School District of Milton  
Milton, Wisconsin**

**Statement of Net Position  
Proprietary Funds  
June 30, 2016**

	<b>Food Service</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 114,904
Accounts Receivable	2,090
Due from Other Funds - Fiduciary	976
Due from Other Governments	2,895
Total Current Assets	120,865
Noncurrent Assets:	
Furniture and Equipment	138,479
Less Accumulated Depreciation	(112,839)
Net Noncurrent Assets	25,640
Total Assets	146,505
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	195,360
Total Assets and Deferred Outflows of Resources	\$ 341,865
<b>LIABILITIES</b>	
Current Liabilities:	
Deposits	\$ 37,344
Due to Other Funds	3,495
Total Current Liabilities	40,839
Noncurrent Liabilities:	
Net Pension Liability	36,536
Total Noncurrent Liabilities	36,536
Total Liabilities	77,375
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	77,299
<b>NET POSITION</b>	
Net Investment in Capital Assets	25,640
Restricted for Food Service	161,551
Total Net Position	187,191
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 341,865

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, 2016**

	<b>Food Service</b>
<b>OPERATING REVENUES</b>	
Food Sales	\$ 660,002
State Sources	19,336
Federal Sources	345,924
Commodities	80,725
Miscellaneous Income	2,723
Total Operating Revenues	1,108,710
<b>OPERATING EXPENSES</b>	
Salaries and Fringes	591,515
Purchased Services	27,049
Food and Supplies	482,704
Depreciation	8,108
Other	12,405
Total Operating Expenses	1,121,781
Operating Income (Loss)	(13,071)
<b>NON-OPERATING REVENUES</b>	
Interest and Investment Revenue	216
Total Non-Operating Revenue (Expenses)	216
Transfers Out - Benefit Trust Payment	(34,344)
Special Item - Gain (Loss) on Disposal of Assets	(86,841)
Change in Net Position	(134,040)
Total Net Position - Beginning	321,231
Total Net Position - Ending	\$ 187,191

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, 2016**

	<u><b>Food Service</b></u>
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 660,777
Cash received from other governmental payments	443,090
Cash received from miscellaneous sources	5,540
Cash payments to employees for services	(567,666)
Cash payments to utilities and other purchased services	(27,049)
Cash payments to suppliers for goods and services	(495,109)
Cash payments for other operating activities	(34,344)
Net cash provided (used) by operating activities	<u>(14,761)</u>
Cash Flows from Investing Activities:	
Interest on investments	216
Purchases of fixed assets	(6,320)
Net cash provided (used) by investing activities	<u>(6,104)</u>
Net increase (decrease) in cash and cash equivalents	(20,865)
Cash and equivalents- beginning of year	<u>135,769</u>
Cash and equivalents- end of year	<u>\$ 114,904</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (13,071)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	8,108
Payment to benefit trust	(34,344)
Pension expense	23,849
Changes in assets and liabilities:	
Due to (from) other governments	(2,895)
Due to (from) other funds	2,817
Accounts receivable	(651)
Deposits	1,426
Net cash provided (used) by operating activities	<u>\$ (14,761)</u>
Noncash Noncapital Financing Activities:	
During the year the District received commodities from the U.S. Department of Agriculture in the amount of	<u>\$ 80,725</u>

See accompanying notes to the financial statements.

**School District of Milton  
Milton, Wisconsin**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	<u>Agency Fund</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 133,759	\$ 2,008,644	\$ 2,142,403
Due from Other Funds	-	111,590	111,590
Total Assets	<u>\$ 133,759</u>	<u>\$ 2,120,234</u>	<u>\$ 2,253,993</u>
<b>LIABILITIES</b>			
Due to Student Organizations	\$ 133,759	\$ -	\$ 133,759
Due to Other Funds	-	31,165	31,165
Total Liabilities	<u>133,759</u>	<u>31,165</u>	<u>164,924</u>
<b>NET POSITION</b>			
Restricted	-	2,089,069	2,089,069
Total Liabilities and Net Position	<u>\$ 133,759</u>	<u>\$ 2,120,234</u>	<u>\$ 2,253,993</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, 2016**

	<b>Employee Benefit Trust</b>
<b>ADDITIONS</b>	
Employer Contributions	\$ 1,096,681
Interest and Dividends	4,466
Employee Contributions	20,502
Total Additions	<u>1,121,649</u>
<b>DEDUCTIONS</b>	
Benefits Paid	<u>1,035,132</u>
Total Deductions	<u>1,035,132</u>
Change in Net Position	86,517
Net Position - Beginning	<u>2,002,552</u>
Net Position - Ending	<u><u>\$ 2,089,069</u></u>

See accompanying notes to the financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**1. Summary of Significant Accounting Policies**

**A. Introduction**

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

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

**B. Component Units**

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

**C. District-Wide Statements**

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

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

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

**D. Fund Accounting**

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

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

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

The District reports the following major governmental fund:

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

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

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

The District also has the following non-major funds:

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

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

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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

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

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

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

**F. Deposits and Investments**

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board. See footnote 4 for additional information.

**G. Receivables**

**Taxes**

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

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

**Interfunds**

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

**Accounts Receivable**

All accounts receivable are shown as gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance is not material.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

**H. Other Assets**

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

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

**I. Capital Assets**

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

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

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

The District increased the capitalization threshold to \$5,000 from \$1,000 in fiscal year 2015-2016, which created approximately a \$2,455,000 loss from retiring all the capital assets with historical cost under \$5,000.

**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 \$29,626. No amount has been accrued since it is not considered material.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

**Vested Employee Benefits**

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

**Pensions**

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

**Net Other Post-Employment Benefit Obligations**

The District recognizes a net other post-employment benefit obligation (NOPEBO) at June 30, 2016. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008, the first year of measurement.

**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 liabilities. Net position invested 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 are 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, 2016**

---

**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. Stewardship and Accountability**

Budgetary Accounting

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

Excess of Expenditures Over Appropriations

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

<u>Fund</u>	<u>Function</u>	<u>Variance Amount</u>
General	Regular Instruction	\$ 2,616,591
General	General Administration Services	379,706
General	Business Services	10,500
General	Operations and Maintenance	145,543
General	Other Support Services	18,001

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of three broad categories:

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

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**4. 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 \$9,161,563 on June 30, 2016 as summarized below:

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Associated Risk</u>
Deposits with financial institutions	\$ 3,490,146	Custodial credit risk
Petty cash funds	8,275	None
LGIP	<u>5,663,142</u>	Credit risk, interest rate risk
 Total June 30, 2016	 <u><u>\$ 9,161,563</u></u>	

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

Basic financial statements	
Cash and investments	\$ 7,019,160
Fiduciary funds	
Employee-Benefit trust	2,008,644
Agency fund	133,759
Total	<u><u>\$ 9,161,563</u></u>

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2016, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity. The LGIP investments have an average maturity of 67 days.

<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>
Wisconsin Local Government Investment Pool	\$5,663,142	\$5,663,142

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, 2016, 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, 2016, \$2,077,347 of the District's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Collateralized in the District's Name	\$ 1,954,591
Uninsured and uncollateralized	122,756
	\$ 2,077,347

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, 2016**

**5. Capital Assets**

	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016
<b>Governmental Activities</b>				
Land and land improvements	\$ 2,679,270	\$ 199,701	\$ (190,973)	\$ 2,687,998
Buildings and building improvements	43,674,030	980,299	(577,995)	44,076,334
Furniture and equipment	8,695,438	3,039,635	(5,086,468)	6,648,605
Total Government Activities	<u>55,048,738</u>	<u>4,219,635</u>	<u>(5,855,436)</u>	<u>53,412,937</u>
Less Accumulated Depreciation				
Land improvements	(1,028,893)	(91,571)	84,367	(1,036,097)
Buildings and building improvements	(21,455,273)	(1,185,976)	192,888	(22,448,361)
Furniture and equipment	(5,048,871)	(737,682)	3,122,825	(2,663,728)
Total Accumulated Depreciation	<u>(27,533,037)</u>	<u>(2,015,229)</u>	<u>3,400,080</u>	<u>(26,148,186)</u>
Net Governmental Activities Capital Assets	<u>\$ 27,515,701</u>	<u>\$ 2,204,406</u>	<u>\$ (2,455,356)</u>	<u>\$ 27,264,751</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 485,705	\$ 6,320	\$ (353,546)	\$ 138,479
Less Accumulated Depreciation	<u>(371,436)</u>	<u>(8,108)</u>	<u>266,705</u>	<u>(112,839)</u>
Net Business-Type Capital Assets	<u>\$ 114,269</u>	<u>\$ (1,788)</u>	<u>\$ (86,841)</u>	<u>\$ 25,640</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 542,505
General administration services	127,924
Operations and maintenance of facilities	17,980
Pupil transportation	8,910
Depreciation not charged to a specific function	<u>1,317,910</u>
Total Depreciation for Governmental Activities	<u>\$ 2,015,229</u>

**6. Line of Credit**

The District has a taxable revolving line of credit with a limit of \$1.8 million at June 30, 2016. The note bears interest at 1.50%. The line of credit has a term of one year ending no later than November 1, 2016. Short-term obligation activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Additions	Removals	Balance 6/30/2016
Tax and Revenue Anticipation Line of Credit	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>

Interest paid on draws against the line of credit totaled \$6,063.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**7. Capital Lease**

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

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

Future minimum lease payments are as follows:

Year Ended June 30,	
2017	\$ 1,333,612
2018	640,354
2019	640,354
2020	640,354
Total minimum lease payments	<u>3,254,674</u>
Less: Amount representing interest	<u>(50,274)</u>
Present Value of net minimum lease payments	<u><u>\$ 3,204,400</u></u>

**8. Long-term Obligations**

Long-term obligations of the District are as follows:

	Balance 7/1/2015	Issued	Retired	Balance 6/30/2016	Amount Due Within One Year
<u>General obligation debt</u>					
Bonds payable	\$ 1,345,000	\$ -	\$ 455,000	\$ 890,000	\$ 390,000
Notes payable	340,000	-	170,000	170,000	170,000
Total GO Debt	<u>1,685,000</u>	<u>-</u>	<u>625,000</u>	<u>1,060,000</u>	<u>560,000</u>
Capital Leases	<u>1,043,948</u>	<u>2,787,454</u>	<u>627,002</u>	<u>3,204,400</u>	<u>1,318,524</u>
Total Debt	<u><u>\$ 2,728,948</u></u>	<u><u>\$ 2,787,454</u></u>	<u><u>\$ 1,252,002</u></u>	<u><u>\$ 4,264,400</u></u>	<u><u>\$ 1,878,524</u></u>

**General Obligation Debt**

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2016 is comprised of the following individual issues:

Description	Issue Dates	Interest Rate %	Dates of Maturity	Balance	Amount Due Within One Year
Notes	11/3/2011	.50-1.5%	3/1/2017	\$ 170,000	\$ 170,000
Bonds	2/6/2013	.40-1.1%	3/1/2019	890,000	390,000
Total General Obligation Debt				<u><u>\$ 1,060,000</u></u>	<u><u>\$ 560,000</u></u>

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**8. Long-term Obligations (Continued)**

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2016 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 560,000	\$ 10,020	\$ 570,020
2018	380,000	4,740	384,740
2019	120,000	1,320	121,320
Totals	<u>\$ 1,060,000</u>	<u>\$ 16,080</u>	<u>\$ 1,076,080</u>

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,639,130,467. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with §67.03(1) (b) of the Wisconsin statutes follows:

Debt Limit (10% of \$1,639,130,467)	\$ 163,913,047
Deduct long-term debt applicable to debt margin	<u>1,060,000</u>
Margin of indebtedness	<u>\$ 162,853,047</u>

**9. Fund Balances / Net Position**

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Community Service Fund</u>	<u>Special Revenue Trust</u>	<u>Non- Referendum Debt</u>	<u>Total</u>
<b>Fund balances:</b>						
<u>Nonspendable:</u>						
Prepays	\$ 19,982	\$ -	\$ -	\$ -	\$ -	\$ 19,982
<u>Restricted for:</u>						
Debt Service Retirement	-	27,348	-	-	24,442	51,790
<u>Assigned for:</u>						
Programs	103,114	-	98,862	36,376	-	238,352
<u>Unassigned</u>	<u>7,291,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,291,051</u>
<b>Total Fund Balances</b>	<u>\$7,414,147</u>	<u>\$ 27,348</u>	<u>\$ 98,862</u>	<u>\$ 36,376</u>	<u>\$ 24,442</u>	<u>\$7,601,175</u>

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**9. Fund Balances / Net Position (Continued)**

**Net Position**

Net position reported on the district-wide statement of net position at June 30, 2016 includes the following:

**Governmental**

Capital Assets Net of Depreciation	\$27,264,751
Less: Related Long-term Debt Outstanding	(1,060,000)
Less: Capital Leases Outstanding	(3,204,400)
Total Net Investment in Capital Assets	23,000,351
Restricted	
Debt Service	51,790
Net OPEB Asset	733,448
Total Restricted	785,238
Unrestricted	11,274,150
Total Governmental Activities Net Position	\$35,059,739

**Business Type**

Capital Assets Net of Depreciation	\$ 25,640
Total Net Investment in Capital Assets	25,640
Restricted	
Food Service	161,551
Total Restricted	161,551
Total Business-Type Activities Net Position	\$ 187,191

**10. Interfund Activities**

**Due to/Due from Other Funds**

Individual fund interfund receivable and payable balances on June 30, 2016 are as follows:

Due To	Due From	Amount
Employee Benefit Trust	General Fund	\$ 77,407
Employee Benefit Trust	Food Service Fund	2,519
Employee Benefit Trust	Community Service Fund	499
General Fund	Package Cooperative Fund	29,546
Total Governmental Activities		109,971
Less: Fund Eliminations		(29,546)
Total District-Wide Statement of Activities		\$ 80,425

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**10. Interfund Activities (Continued)**

**Transfers**

The District had the following interfund transfers:

Purpose	Receiving Fund	Paying Fund	Amount
Support Package Cooperative Fund	Package Cooperative Fund	General Fund	\$ 188,801
			<u>\$ 188,801</u>

On the district-wide statement of activities a transfer of \$34,344 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.

**11. 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>.

***Accounting Changes.*** The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

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

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**11. Pension Plan (Continued)**

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

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

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**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. 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 \$1,192,948 in contributions from the employer.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**11. Pension Plan (Continued)**

Contribution rates as of June 30, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2016, the District reported a liability of \$2,030,642 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.12496407%, which was a decrease of 0.00126399% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,441,751.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 347,002	\$ (4,273,452)
Changes of assumptions	1,420,725	-
Net difference between projected and actual earnings on pension plan investments	8,325,310	-
Changes in proportion and difference between District contributions and proportionate share of contributions	-	(22,798)
District contributions subsequent to the measurement date	764,992	-
Total	<u>\$ 10,858,029</u>	<u>\$ (4,296,250)</u>

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**11. Pension Plan (Continued)**

\$764,992 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 2,621,502	\$ (1,040,707)
2018	2,621,502	(1,040,707)
2019	2,621,502	(1,040,707)
2020	2,183,078	(1,037,285)
2021	45,453	(136,844)

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of know Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**11. 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:

<b>Retirement Funds</b>								
<b>Asset Allocation Targets and Expected Returns</b>								
As of December 31, 2015								
<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>		<u>Destination Target Asset Allocation %</u>		<u>Long-Term Expected Nominal Rate of Return %</u>		<u>Long-Term Expected Real Rate of Return %</u>	
U.S. Equities	27 %		23 %		7.6 %		4.7 %	
International Equities	24.5		22		8.5		5.6	
Fixed Income	27.5		37		4.4		1.6	
Inflation Sensitive Assets	10		20		4.2		1.4	
Real Estate	7		7		6.5		3.6	
Private Equity/Debt	7		7		9.4		6.5	
Multi-Asset	4		4		6.7		3.8	
Total Core Fund	107 %		120 %		7.4 %		4.5 %	
<u>Variable Fund Asset Class</u>								
U.S. Equities	70 %		70 %		7.6 %		4.7 %	
International Equities	30		30		8.5		5.6	
Total Variable Fund	100 %		100 %		7.9 %		5.0 %	

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

**Single Discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**11. Pension Plan (Continued)**

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

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 14,242,961	\$ 2,030,642	\$ (7,507,397)

*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>.

**12. School District of Milton Post Retirement Benefits and Plan**

Post-retirement benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future years when it is paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of postemployment healthcare in the year when the employee services are received, report the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description

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

The School District of Milton Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's OPEB liability relating to medical insurance. The trust does not require any employee or employer contributions. Employees participating in the OPEB benefit consisted of the following at July 1, 2015, the date of the latest actuarial valuation.

Retirees	69
Active	369
Number of participating employees	438

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**12. School District of Milton Post Retirement Benefits and Plan (Continued)**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated base on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation to the plan:

Annual required contribution	\$ 1,330,088
Interest	(38,664)
ARC Adjustment	38,414
Annual OPEB cost (expense)	1,329,838
Contributions made	(1,096,681)
Change in net OPEB asset	233,157
Net OPEB obligation (asset) - beginning of year	(966,605)
Net OPEB obligation (asset) - end of year	\$ (733,448)

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2015) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll*	UAAL as a Percentage of Covered Payroll
7/1/15	\$2,002,552	\$12,496,285	\$10,493,733	16.03%	\$17,743,469	59.14%

\*WRS covered payroll for the year ended June 30, 2015.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

**12. School District of Milton Post Retirement Benefits and Plan (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2015
Actuarial cost method	Entry Age Normal – Level % of Salary
Amortization method	30 year open level dollar & level percent
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions*	
Investment rate of return	4.00%
Projected payroll increases	3.00%
Medical & LTC care trend	7.50% decreasing by 0.50% each year down to 6.50%, then by 0.1% per year down to 5.0%, and level thereafter

\*implicit in these rates is an assumed rate of inflation of 3.00%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014, 2015, and 2016 are as follows:

<b>Fiscal Year End</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/2014	\$ 1,223,955	136.39%	\$ (1,050,019)
6/30/2015	\$ 1,221,165	93.17%	\$ (966,605)
6/30/2016	\$ 1,329,838	82.47%	\$ (733,448)

A copy of the actuarial report can be obtained from the District office.

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**13. Supplemental Pension (Stipend) Benefit**

Plan Description

The District also 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 with a minimum of 15 years service in the School District of Milton who retire at the age of 55 years or older shall receive a retirement stipend in the amount equal to 40% of their exit salary.

Administrators with a minimum of 18 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 45% of their exit salary.

Administrators with a minimum of 20 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 50% of their exit salary. The stipend will be divided into four equal installments and distributed in four annual payments.

Funding Policy and Progress

This is funded on a pay as you go basis. The 2016 fiscal year payment to retirees totaled \$79,443 and the total payments for the years ending June 30, 2015 and 2014 were \$82,333 and \$77,823, respectively.

Annual Pension Cost and Pension Obligation

The District had pension debt and pension costs as outlined below:

Beginning Net Pension Obligation	\$ 747,521
Annual Required Contribution	53,220
Interest	29,901
Adjustment	(29,707)
Payments	(79,443)
Net Pension Obligation End of Year	<u><u>\$ 721,492</u></u>

**SCHOOL DISTRICT OF MILTON**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2016**

---

**14. 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.

**15. 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.

**16. Litigation**

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

In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2016 are not likely to have material adverse impact on the District's financial position.

**17. Subsequent Events**

On October 24, 2016, the District approved a taxable revolving line of credit with a limit of \$2.5 million for cash flow purposes for the 2016-2017 fiscal year. The line of credit has a term of one year ending no later than September 20, 2017 with an interest rate of 1.50%.

On November 8, 2016, referendum was approved authorizing the District budget to exceed revenue limit by \$2,500,000 for five years beginning in 2016-17 for non-recurring purposes.

**18. Effect of New Accounting Standard of Current Period Financial Statements**

The Government Accounting Standards Board (GASB) has approved GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When they 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 12,398,744	\$ 12,273,324	\$ 12,273,324	\$ -
Other Local Sources	667,754	667,154	666,407	(747)
Inter-District Sources	1,507,453	1,507,453	1,623,389	115,936
Intermediate Sources	2,836	2,836	2,641	(195)
State Sources	20,328,358	20,399,736	20,436,480	36,744
Federal Sources	587,736	587,736	483,128	(104,608)
Other Sources	50,200	50,200	217,766	167,566
Total Revenues	<u>35,543,081</u>	<u>35,488,439</u>	<u>35,703,135</u>	<u>214,696</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Instruction	16,869,085	16,918,970	19,535,561	(2,616,591)
Vocational Instruction	986,069	986,069	965,203	20,866
Special Instruction	406,836	406,836	409,872	(3,036)
Other Instruction	1,882,242	1,882,242	1,868,362	13,880
Total Instruction	<u>20,144,232</u>	<u>20,194,117</u>	<u>22,778,998</u>	<u>(2,584,881)</u>
Support Services				
Pupil Services	758,227	761,227	750,232	10,995
Instructional Staff Services	1,684,940	1,629,344	1,503,834	125,510
General Administration Services	1,422,555	1,439,190	1,818,896	(379,706)
Building Administration Services	2,249,612	2,245,162	2,200,848	44,314
Business Services	794,853	802,070	812,570	(10,500)
Operations and Maintenance	3,344,017	3,348,082	3,493,625	(145,543)
Pupil Transportation	1,163,997	1,163,997	1,097,889	66,108
Central Services	173,948	173,948	167,593	6,355
Insurance	262,019	262,019	240,783	21,236
Principal and Interest	636,294	636,294	642,356	(6,062)
Other Support Services	175,642	175,642	193,643	(18,001)
Total Support Services	<u>12,666,104</u>	<u>12,636,975</u>	<u>12,922,269</u>	<u>(285,294)</u>
Total Expenditures	<u>32,810,336</u>	<u>32,831,092</u>	<u>35,701,267</u>	<u>(2,870,175)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,732,745</u>	<u>2,657,347</u>	<u>1,868</u>	<u>(2,655,479)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	14,000	14,000	24,054	10,054
Capital Lease Proceeds	-	-	2,787,454	2,787,454
Transfer to Special Education Fund	(3,316,033)	(3,316,033)	(3,135,599)	180,434
Transfer to Package Cooperative Fund	(192,076)	(192,076)	(188,801)	3,275
Total Other Financing Sources and Uses	<u>(3,494,109)</u>	<u>(3,494,109)</u>	<u>(512,892)</u>	<u>2,981,217</u>
Net Change in Fund Balances	(761,364)	(836,762)	(511,024)	325,738
Fund Balances - Beginning	7,925,171	7,925,171	7,925,171	-
Fund Balances - Ending	<u>\$ 7,163,807</u>	<u>\$ 7,088,409</u>	<u>\$ 7,414,147</u>	<u>\$ 325,738</u>

**School District of Milton  
Milton, Wisconsin**

**Budgetary Comparison Schedule for the  
Special Education Fund - Budget and Actual  
For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Interdistrict	\$ 49,804	\$ 49,804	\$ 67,743	\$ 17,939
Intermediate	10,903	10,903	7,500	(3,403)
State	1,082,000	1,082,000	1,068,825	(13,175)
Federal	760,833	760,833	614,335	(146,498)
Other Sources	-	-	9,217	9,217
Total Revenues	<u>1,903,540</u>	<u>1,903,540</u>	<u>1,767,620</u>	<u>(135,920)</u>
<b>EXPENDITURES</b>				
Instruction				
Special Instruction	<u>3,665,797</u>	<u>3,650,254</u>	<u>3,580,707</u>	<u>69,547</u>
Total Instruction	<u>3,665,797</u>	<u>3,650,254</u>	<u>3,580,707</u>	<u>69,547</u>
Support Services				
Pupil Services	716,309	718,129	718,015	114
Instructional Staff Services	369,804	383,527	258,911	124,616
Business Services	7,000	7,000	2,023	4,977
Operations and Maintenance	2,500	2,500	620	1,880
Pupil Transportation	<u>458,163</u>	<u>458,163</u>	<u>342,943</u>	<u>115,220</u>
Total Support Services	<u>1,553,776</u>	<u>1,569,319</u>	<u>1,322,512</u>	<u>246,807</u>
Total Expenditures	<u>5,219,573</u>	<u>5,219,573</u>	<u>4,903,219</u>	<u>316,354</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,316,033)</u>	<u>(3,316,033)</u>	<u>(3,135,599)</u>	<u>180,434</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	<u>3,316,033</u>	<u>3,316,033</u>	<u>3,135,599</u>	<u>(180,434)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2016**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 35,703,135	\$ 1,767,620
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	1,767,620	(1,767,620)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 37,470,755	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 35,701,267	\$ 4,903,219
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	4,903,219	(4,903,219)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 40,604,486	\$ -

**School District of Milton  
Milton, Wisconsin**

**Schedule of Funding Progress  
June 30, 2016**

**Other Post Employment Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll*</b>	<b>UAAL as a Percentage of Covered Payroll*</b>
7/1/2011	\$ 2,039,596	\$11,731,435	\$9,691,839	17.39%	\$16,926,065	57.26%
7/1/2013	\$ 2,055,595	\$12,451,115	\$10,395,520	16.50%	\$17,558,084	59.21%
7/1/2015	\$ 2,002,552	\$12,496,285	\$10,493,733	16.03%	\$17,743,469	59.14%

\*WRS Covered Payroll

**Supplemental Pension (Stipend) Benefit**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered*</b> <b>Payroll</b>	<b>UAAL as a Percentage of Covered Payroll*</b>
7/1/2011	\$ -	\$ 513,354	\$ 513,354	0%	N/A	N/A
7/1/2013	\$ -	\$ 488,856	\$ 488,856	0%	N/A	N/A
7/1/2015	\$ -	\$ 512,973	\$ 512,973	0%	N/A	N/A

\*Information not available.

**SCHOOL DISTRICT OF MILTON  
WISCONSIN RETIREMENT SYSTEM  
June 30, 2016**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AS OF THE MEASUREMENT DATE**

Last 10 Fiscal Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
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
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.

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2016**

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

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

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

## **OTHER SUPPLEMENTAL INFORMATION**

**School District of Milton  
Milton, Wisconsin**

**Schedule of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 136,759	\$ 525,575	\$ 528,575	\$ 133,759
<b>Total Assets</b>	<u>\$ 134,366</u>	<u>\$ 525,575</u>	<u>\$ 528,575</u>	<u>\$ 133,759</u>
<b>Liabilities:</b>				
Milton High School	\$ 123,410	\$ 473,494	\$ 479,103	\$ 117,801
Milton Middle School	10,611	39,722	37,757	12,576
Northside Elementary	2,738	12,359	11,715	3,382
<b>Total Liabilities</b>	<u>\$ 136,759</u>	<u>\$ 525,575</u>	<u>\$ 528,575</u>	<u>\$ 133,759</u>

**School District of Milton  
Milton, Wisconsin**

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2016**

	<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>
<b>ASSETS</b>						
Cash and Investments	\$ 27,348	\$ 36,376	\$ 92,426	\$ 24,442	\$ -	\$ 180,592
Due from Other Funds	-	-	193	-	-	193
Accounts Receivable	-	-	7,300	-	-	7,300
Due from Other Governments	-	-	-	-	29,546	29,546
Total Assets	<u>\$ 27,348</u>	<u>\$ 36,376</u>	<u>\$ 99,919</u>	<u>\$ 24,442</u>	<u>\$ 29,546</u>	<u>\$ 217,631</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 365	\$ -	\$ -	\$ 365
Due to Other Fund	-	-	692	-	29,546	30,238
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,057</u>	<u>-</u>	<u>29,546</u>	<u>30,603</u>
Fund Balances:						
Restricted	27,348	-	-	24,442	-	51,790
Assigned	-	36,376	98,862	-	-	135,238
Total Fund Balances	<u>27,348</u>	<u>36,376</u>	<u>98,862</u>	<u>24,442</u>	<u>-</u>	<u>187,028</u>
Total Liabilities and Fund Balances	<u>\$ 27,348</u>	<u>\$ 36,376</u>	<u>\$ 99,919</u>	<u>\$ 24,442</u>	<u>\$ 29,546</u>	<u>\$ 217,631</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, 2016**

	<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>
<b>REVENUES</b>						
Property Taxes	\$ 463,835	\$ -	\$ 179,254	\$ 173,655	\$ -	\$ 816,744
Other Local Sources	243	3,072	83,392	237	1,449	88,393
Inter-District Sources	-	-	-	-	56,502	56,502
Other Sources	-	-	15	-	882	897
Total Revenues	<u>464,078</u>	<u>3,072</u>	<u>262,661</u>	<u>173,892</u>	<u>58,833</u>	<u>962,536</u>
<b>EXPENDITURES</b>						
Instruction						
Special Instruction	-	-	-	-	182,227	182,227
Other Instruction	-	-	-	-	912	912
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,139</u>	<u>183,139</u>
Support Services						
Pupil Services	-	-	-	-	7,162	7,162
Building Administrative Services	-	-	4,390	-	-	4,390
Operations and Maintenance	-	-	125,441	-	56,078	181,519
Central Services	-	-	-	-	1,209	1,209
Other Support Services	-	-	-	-	46	46
Community Services	-	-	154,513	-	-	154,513
Total Support Services	<u>-</u>	<u>-</u>	<u>284,344</u>	<u>-</u>	<u>64,495</u>	<u>348,839</u>
Debt Service						
Principal	455,000	-	-	170,000	-	625,000
Interest and Fiscal Charges	10,200	-	-	4,760	-	14,960
Total Debt Service	<u>465,200</u>	<u>-</u>	<u>-</u>	<u>174,760</u>	<u>-</u>	<u>639,960</u>
Total Expenditures	<u>465,200</u>	<u>-</u>	<u>284,344</u>	<u>174,760</u>	<u>247,634</u>	<u>1,171,938</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,122)</u>	<u>3,072</u>	<u>(21,683)</u>	<u>(868)</u>	<u>(188,801)</u>	<u>(209,402)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	188,801	188,801
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,801</u>	<u>188,801</u>
Net Change in Fund Balances	(1,122)	3,072	(21,683)	(868)	-	(20,601)
Fund Balances - Beginning	28,470	33,304	120,545	25,310	-	207,629
Fund Balances - Ending	<u>\$ 27,348</u>	<u>\$ 36,376</u>	<u>\$ 98,862</u>	<u>\$ 24,442</u>	<u>\$ -</u>	<u>\$ 187,028</u>

# **SINGLE AUDIT**

**SCHOOL DISTRICT OF MILTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass-through Entity ID Number	Receivable July 1, 2015	Receipts	Expenditures	Receivable June 30, 2016
U.S. Department of Agriculture						
Passed through Wisconsin Department of Public Instruction:						
<u>Child Nutrition Cluster</u>						
Donated Commodities	10.555	Not Available	\$ -	\$ 80,725	\$ 80,725	\$ -
Food Service Aid - Breakfast	10.553	A546-00000-533612	-	40,550	41,052	502
National School Lunch Program	10.555	A547-00000-533612	-	302,478	304,871	2,393
Total Child Nutrition Cluster			-	423,753	426,648	2,895
Total U.S. Department of Agriculture			-	423,753	426,648	2,895
U.S. Department of Education						
Passed through Wisconsin Department of Public Instruction:						
ESEA Title II-A Teacher/Principal	84.367	A365-00000-533612	11,326	65,629	66,118	11,815
ESEA Title I-A Basic Grant	84.010	A141-00000-533612	36,917	281,757	318,602	73,762
<u>Special Education Cluster (IDEA)</u>						
IDEA Flow Through	84.027	A341-00000-533612	46,610	493,109	537,315	90,816
IDEA Preschool Entitlement	84.173	A347-00000-533612	1,198	5,104	3,995	89
High Cost of Special Education Aid	84.027	A341-00000-533612	-	10,687	10,687	-
Passed through CESA 2:						
Regional Service Network Discretionary Grant	84.027	A342-00000-749902	-	7,500	7,500	-
Total Special Education Cluster (IDEA)			47,808	516,400	559,497	90,905
<u>Career and Technical Education Basic Grants</u>						
Passed through School District of Edgerton:						
Carl Perkins	84.048	A400-00000-531568	1,159	4,657	4,351	853
Total Career and Technical Education Basic Grants			1,159	4,657	4,351	853
Passed through CESA 2:						
ESEA III-A English Language Acquis	84.365	A391-00000-533612	-	2,641	2,641	-
Total U.S. Department of Education			97,210	871,084	951,209	177,335
U.S. Department of Health and Human Services						
Passed through Wisconsin Department of Health Services:						
Medical Assistance Program	93.778	Not Available	1,289	161,214	159,925	-
Total U.S. Department of Health and Human Services			1,289	161,214	159,925	-
<b>Total Federal Awards</b>			<b>\$ 98,499</b>	<b>\$ 1,456,051</b>	<b>\$ 1,537,782</b>	<b>\$ 180,230</b>

See notes to schedules of awards

**SCHOOL DISTRICT OF MILTON**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2016**

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	Pass-through Entity <u>ID Number</u>	Receivable <u>July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	Receivable <u>June 30, 2016</u>
Wisconsin Department of Public Instruction:						
Entitlement Programs:						
Special Education and School Age Parents	255.101	533612-100	\$ -	\$ 1,047,598	\$ 1,047,598	\$ -
Common School Fund Library	255.103	533612-104	-	145,808	145,808	-
Pupil Transportation	255.107	533612-102	-	87,660	87,660	-
Equalization	255.201	533612-116	345,001	19,622,803	19,622,196	344,394
Per Pupil Aid	255.945	533612-113	-	-	517,200	517,200
High Cost of Special Education	255.210	533612-119	-	21,227	21,227	-
Cost Reimbursement Programs:						
Youth Alcohol & Other Drug Abuse	255.321	533612-142	-	700	700	-
State School Lunch	255.102	533612-107	-	12,515	12,515	-
WI School Day Milk Program	255.109	533612-109	-	2,473	2,473	-
School Breakfast Program	255.344	533612-108	-	3,643	3,643	-
Wisconsin's Movin Schools	255.345	533612-123	-	400	400	-
Educator Effective Evaluation System Grant	255.940	533612-154	-	-	19,799	19,799
Career and Technical Education Incentive Grants	255.950	533612-151	-	16,777	16,777	-
Subtotal Wisconsin Department of Public Instruction			<u>345,001</u>	<u>20,961,604</u>	<u>21,497,996</u>	<u>881,393</u>
Department of Workforce Development:						
Passed Through District of Edgerton						
School - to - Work Partnership Youth Grant	445.107	Not Available	<u>685</u>	<u>685</u>	<u>853</u>	<u>853</u>
Total State Awards			<u>\$ 345,686</u>	<u>\$ 20,962,289</u>	<u>\$ 21,498,849</u>	<u>\$ 882,246</u>

See notes to schedules of awards

**SCHOOL DISTRICT OF MILTON**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

---

**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**

2015-2016 eligible costs under the State Special Education Program are \$4,194,111.

**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 (\$80,725).

**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**

December 19, 2016

To the School Board  
School District of Milton  
Milton, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School District of Milton, as of and for the year ended June 30, 2016, 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 December 19, 2016.

***Internal Control Over Financial Reporting***

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Johnson Block & Company, Inc.*

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

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

December 19, 2016

To the School Board  
School District of Milton  
Milton, Wisconsin

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

We have audited the School District of Milton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the School District of Milton's major federal and state programs for the year ended June 30, 2016. The School District of Milton's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs.

***Auditor's Responsibility***

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

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



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

In our opinion, the School District of Milton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

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

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items #2016-001 and #2016-002 that we consider to be a significant deficiencies.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Johnson Block & Company, Inc.*

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

**SCHOOL DISTRICT OF MILTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

**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? Yes

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)? Yes

Identification of major federal programs:

CFDA Number  
10.555, 10.553

Name of Program or Cluster  
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, 2016**

---

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

State Awards

Internal control over major programs:

- \* Material weakness identified? No
- \* Significant deficiency(ies) identified? Yes

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)? Yes

Identification of major state programs:

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

**Section II – Financial Statement Finding**

None

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

Federal Award Finding #2016-001

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

**Criteria:** Federal compliance requires that by November 15th of each year the District must verify a sample of eligible free and reduced applications through income verification procedures. The district is required to request and document income verification and determine if changes in eligibility are required based on results.

**Condition:** The District has a control deficiency in that the procedures used to document income verification samples.

**Effect:** During our examination of the sample of free and reduced applications tested, we noted the District was unable to locate the income verification backup documentation provided by families to prove eligibility.

**Recommendation:** We recommend procedures be implemented to ensure that all records related to this verification process are documented and available for review.

**District Response:** The district has reviewed the handling of the verification process and has proposed steps to ensure that documents supporting the verification reporting process are not misplaced in the future. These steps include: 1) All verification documents mailed to families will be return addressed marked Attn: Verification Official, 2) Upon receipt, all documents will be inspected and traced on a separate tracking form and 3) All completed documents will be copied and attached to the original application, scanned to the district's secure server with restricted access and appropriately labeled and original documents will be filed in the Food Service Director's office until the annual audit is complete each year, then boxed up for long-term storage.

**SCHOOL DISTRICT OF MILTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

**Section III – Federal and State Award Findings and Questioned Costs (Continued)**

State Award Finding #2016-002

Special Education – 255.101 – Non Valid License Reporting

- Criteria: In order for the District to receive State special education aid, staff must be appropriately licensed for a special education work assignment in order for their salary and benefits to be eligible. DPI audits the staff assignment information reported by the District against each individual's licensure status at the time the audit is conducted.
- Condition: As determined by DPI, the District had a special education staff person with a license that was not appropriate for the staff's work assignment.
- Effect: Per review of the District's 2016 special education licensure information, DPI listed one staff person that did not have a valid special education license, and, therefore, was deemed not valid for special education aid. This individual staff person was hired in July 2015 where staff had previously been licensed in another state. The ELO system reported her in-state application and payment were received on 10/6/2015, but her license was not valid until 4/6/2016.
- Recommendation: We recommend that special education staff's licenses continue to be appropriate for their work assignments. We are aware that the District has already been in correspondence with DPI and has submitted a representation letter disputing the license status.
- District Response: The district feels they and the teacher took every step possible to obtain the appropriate license in a timely manner. The teacher submitted her application to DPI, along with her payment on October 6, 2015. Upon application and payment submission to DPI, the teacher was told she would be notified if there was any missing data. The teacher emailed DPI monthly, inquiring if there was additional information that was required. She received no response from DPI until February 10, 2016. At that time, DPI informed the teacher that they were reviewing her information and then notified her she needed to take the praxis exam before her licensure could be approved. The teacher signed up for the soonest praxis exam and upon completion, DPI approved her license effective for April 6, 2016. The HR Department had been in contact with the teacher throughout this entire process and the teacher had contacted DPI numerous times for direction and help.

**SCHOOL DISTRICT OF MILTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

**Section IV – Other Issues**

- |    |   |     |
|----|---|-----|
| 1. | Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?   | No  |
|    |   |     |
| 2. | Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines: |     |
|    | Department of Corrections   | N/A |
|    | Department of Health Services   | No  |
|    | Department of Workforce Development   | No  |
|    | Department of Public Instruction  | Yes |
|    | Department of Administration  | N/A |
|    | Office of Justice Assistance  | N/A |

**Section IV – Other Issues (Continued)**

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

- |    |                               |  |
|----|-------------------------------|--|
| 4. | Name and signature of partner |  |
|----|-------------------------------|--|

  
\_\_\_\_\_  
Kevin Krysinski, CPA

- |    |                 |                   |
|----|-----------------|-------------------|
| 5. | Date of report: | December 19, 2016 |
|----|-----------------|-------------------|