



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, 2015

Quality service through our commitment to clients and staff.

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SCHOOL DISTRICT OF MILTON

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Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

November 23, 2015

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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2014, the School District of Milton adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Funding Progress, and Wisconsin Retirement System Schedules, on pages i-x and 35-41 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Guidelines and are also not a required part of the basic financial statements.



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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, 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, 2015

This is the eleventh year the School District of Milton 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 \$41,775,124 and total deferred outflows of resources are \$2,557,109. Total governmental net position after deducting liabilities and deferred inflows of resources are \$38,711,015. Restated beginning total governmental net position was \$37,711,448. This represents an increase in total governmental net position of \$999,567.

In terms of general fund operations, we had a Surplus of Revenues and Other Sources over Expenditures and Other Uses of \$43,375. This increased our fund balance from \$7,881,796 at the beginning of the year to \$7,925,171 at year-end. This fund balance is approximately 21.4% of our general fund 2014-2015 actual expenditures. Due to sufficient fund balance, the District did not need to borrow money for cash flow purposes in 2014-2015.

The district experienced a decrease of 34 students in enrollment (September DPI Student Headcount) in 2014-15. The decrease in overall student enrollment can be attributed to smaller incoming 4 year old kindergarten classes (MPK). In 2013-2014, our 4 year old kindergarten resident enrollment reported to DPI was 185 students. In 2014-2015, our 4 year old kindergarten resident enrollment dropped to 172 students. Overall, resident enrollment through 3rd grade, decreased by 14 students. The graduating senior class in 2014-2015 had 272 resident students, compared to 276 in 2013-2014.

In 2014-2015, the District fully implemented the 1:1 device initiative providing all students access to a computer. Also, in 2014-2015 the Strategic Planning Committee of the Board of Education, staff, and community worked extensively on developing a strategic plan with defined District objectives, goals, and action steps. As an outcome, a district-wide Instructional and Facilities Needs Assessment commenced.

The 2014-2015 fiscal year was the second year the District utilized an HRA (Health Reimbursement Arrangement) to lower health insurance premium costs for the District and employees. The HRA trended favorably, compared to anticipated participation for the fiscal year. 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.

In 2014-2015, the Board of Education approved a proposal for security cameras and access control upgrades in the amount not to exceed \$410,858. This project was related to the Strategic Plan objective of improving school safety.

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 2014-2015 totaled \$111,636.

The general fund (Fund 10) reported an increase in fund balance of \$43,375 at the end of the fiscal year. The adopted Original Budget (October) had a planned general fund fund balance decrease of \$135,291. The food service fund (Fund 50) experienced revenues exceeding expenditures by \$47,697 and increased the food service fund balance to \$101,588. The department incorporated cost savings measures to achieve this positive result. The aforementioned numbers are before the full accrual basis adjustments.

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.

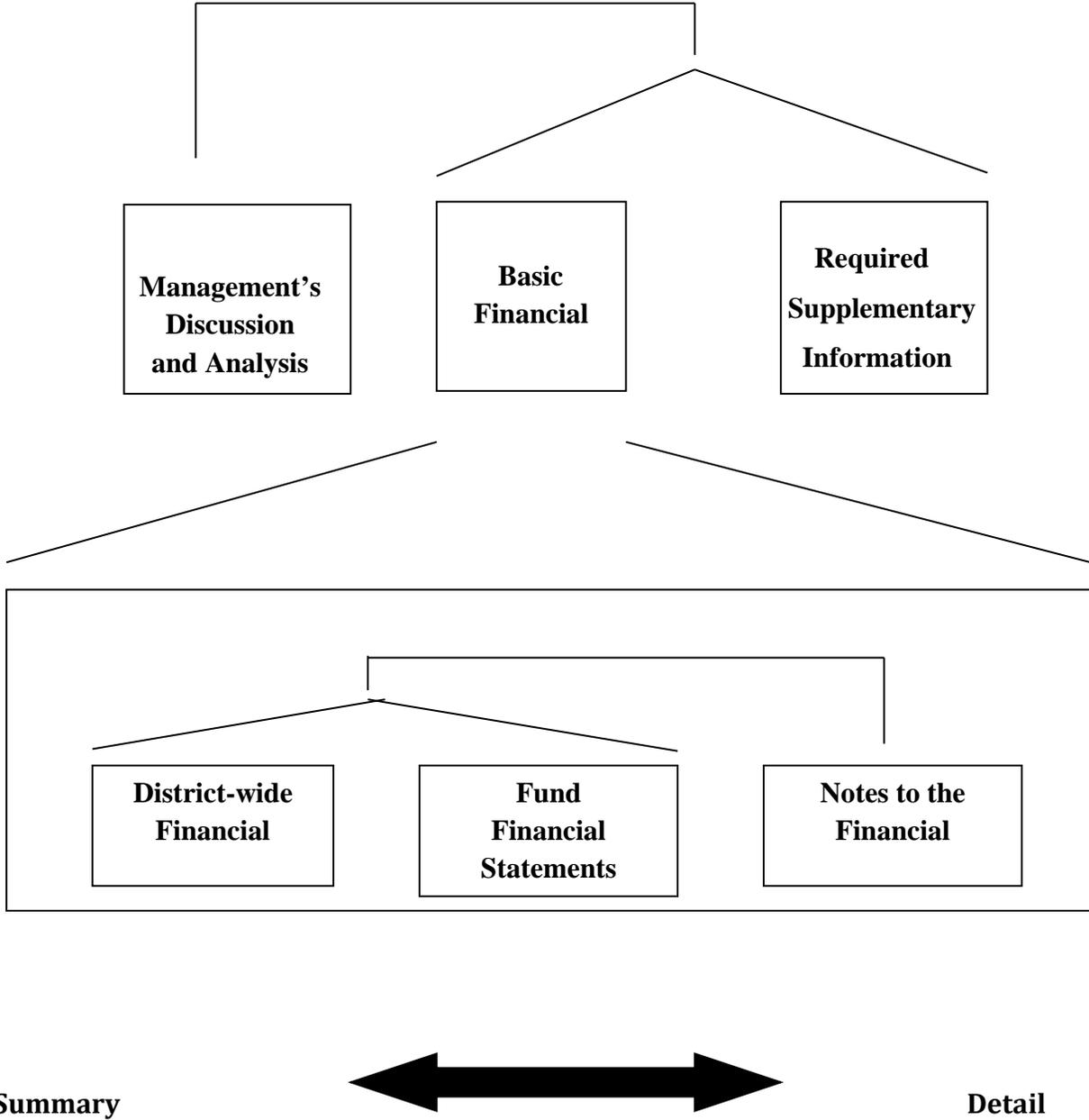


Figure A-2 summarizes the major features of the District’s financial statement, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents 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 liabilities, 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, 2015. 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		Business-type		Total		
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		
	2015	2014	2015	2014	2015	2014	
Current & other assets	\$ 10.2	\$ 11.1	\$ 0.1	\$ 0.1	\$ 10.3	\$ 11.2	
Capital assets	27.5	28.0	0.1	0.1	27.6	28.1	
Restricted assets	4.0	-	0.1	-	4.1	-	
Total Assets	<u>\$ 41.7</u>	<u>\$ 39.1</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 42.0</u>	<u>\$ 39.3</u>	
Deferred outflows	<u>\$ 2.6</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 2.7</u>	<u>\$ -</u>	
Long-term debt outstanding	\$ 2.7	\$ 3.5	\$ -	\$ -	\$ 2.7	\$ 3.5	
Other liabilities	2.9	3.4	0.1	-	3.0	3.4	
Total Liabilities	<u>\$ 5.6</u>	<u>\$ 6.9</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 5.7</u>	<u>\$ 6.9</u>	
Deferred inflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Net Investment in							
Capital Assets	\$ 24.8	\$ 23.8	\$ 0.1	\$ 0.1	\$ 24.9	\$ 23.9	
Restricted	6.6	0.1	0.2	0.1	6.8	0.2	
Unrestricted	7.3	8.3	-	-	7.3	8.3	
Total Net Position	<u>\$ 38.7</u>	<u>\$ 32.2</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 39.0</u>	<u>\$ 32.4</u>	

In governmental activities, the largest portion (64%) 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, 2015 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 35% 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>	
	2015	2014	2015	2014	2015	2014
General Revenues:						
Property taxes	\$ 13.2	\$ 13.7	\$ -	\$ -	\$ 13.2	\$ 13.7
State formula aid	19.7	18.9	-	-	19.7	18.9
Other	0.1	0.1	-	-	0.1	0.1
Total general revenues	<u>33.0</u>	<u>32.7</u>	<u>-</u>	<u>-</u>	<u>33.0</u>	<u>32.7</u>
Program revenues:						
Charges for service	2.5	2.2	0.7	0.8	3.2	3.0
Grants and Contributions	2.8	2.7	0.5	0.5	3.3	3.2
Total program revenues	<u>5.3</u>	<u>4.9</u>	<u>1.2</u>	<u>1.3</u>	<u>6.5</u>	<u>6.2</u>
Total revenues	<u>38.3</u>	<u>37.6</u>	<u>1.2</u>	<u>1.3</u>	<u>39.5</u>	<u>38.9</u>
Program Expenses:						
Instruction	22.2	21.5	-	-	22.2	21.5
Pupil & instructional services	3.5	3.1	-	-	3.5	3.1
Administration and business	4.3	5.3	-	-	4.3	5.3
Maintenance and operations	3.7	3.6	-	-	3.7	3.6
Transportation	1.5	1.5	-	-	1.5	1.5
Community service	0.1	0.1	-	-	0.1	0.1
Interest on debt	-	0.1	-	-	-	0.1
Other	2.0	1.6	1.2	1.2	3.2	2.8
Total Expenses	<u>37.3</u>	<u>36.8</u>	<u>1.2</u>	<u>1.2</u>	<u>38.5</u>	<u>38.0</u>
Transfers In (Out)	-	0.1	-	(0.1)	-	-
Change in Net Position	1.0	0.9	-	-	1.0	0.9
Beginning Net Position, Restated	37.7	31.3	0.3	0.2	38.0	31.5
Ending Net Position	<u>\$ 38.7</u>	<u>\$ 32.2</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 39.0</u>	<u>\$ 32.4</u>

Capital Asset and Debt Administration

Capital Assets:

At the end of the 2015 fiscal year, the District had invested over \$55.5 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 \$27.5 million for governmental activities and \$.4 million for business-type activities.

- Asset acquisition for governmental activities totaled \$1,395,655 and \$4,625 for the food service program.
- The District recognized depreciation expense of \$1,763,720 for governmental activities and \$12,630 for the food service program during the fiscal year.
- Major capital asset additions for the year included: 2015 Chevy Silverado truck, asphalt improvements, roofing replacement, digital HVAC controls, uninvent replacement, carpeting replacement, security cameras, wireless access points, building access control upgrades, technology education renovation\equipment, computers/equipment (1:1 initiative/District office), SMART tables, projectors, band instruments, athletic equipment, instructional equipment, water bottle coolers, custodial cleaning equipment, field painter, lawnmower, scoreboard, classroom furniture, and FM units.

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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>
Land & improvements	\$ 2.6	\$ 2.6	\$ -	\$ -	\$ 2.6	\$ 2.6
Building & building improvements	43.7	43.0	-	-	43.7	43.0
Equipment & furniture	8.7	8.6	0.5	0.5	9.2	9.1
Accumulated depreciation	(27.5)	(26.2)	(0.4)	(0.4)	(27.9)	(26.6)
Total	\$ 27.5	\$ 28.0	\$ 0.1	\$ 0.1	\$ 27.6	\$ 28.1

Long-Term Debt:

At year-end, the District had \$1,685,000 in general obligation notes and bonds and \$1,043,948 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 \$1,227,745. The District's actual contribution for the fiscal year was \$1,137,751. As a result of contributing more than the requirement, the District has a cumulative net OPEB asset recorded on the government-wide statements of \$996,605 as of June 30, 2015. Additional information on long-term obligations and the District's OPEB plan can be found in Notes 7 and 12.

FUND SUMMARY

General Fund

The general fund, the main operating fund of the District remains in a financially stable condition. Revenues were more than expenditures by \$43,375. The current general fund balance represents approximately 21.4% 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 31st and remitted to the School District of Milton in August. This year taxes receivable at year-end was \$3,642,673.

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 2014-2015 Budget levied at the maximum allowable amount under the revenue limit. The Board of Education approved general fund revenues at \$35,532,287 and expenditures at \$35,667,578. The Original Budget had anticipated expenditures exceeding revenues by \$135,291. 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, 2015 in the amount of \$120,488. These remaining funds were assigned to Fund Balance to be utilized for HRA reimbursement in 2015-2016.

Debt Service Fund

The Debt Service Funds have a fund balance at year-end of \$53,780 (\$28,470 debt service fund and \$25,310 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 \$159,418,467 and our current bonds and notes payable are \$1,685,000, leaving a margin of indebtedness of \$157,733,467. This leaves us at 1.06% 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

The District's Strategic Planning Committee worked with the WASB (Wisconsin School Board Association) to complete a Stakeholder Driven Strategic Plan. The comprehensive Plan was developed to assist the District in prioritizing educational and facility-related objectives. In the spring of 2015, the District contracted with Plunkett Raysich Architects to develop the Instructional and Facility Needs Assessment. In the summer of 2015, the District entered in to a Construction Management Consultant Agreement with J.P. Cullen & Sons to assist the District in determining costs for various potential projects going forward. In the fall of 2015, the District contracted services with School Perceptions to issue a community survey in order to finalize an approach that reflects the needs of the students and the priorities of the taxpayers. Our current debt services will be paid in full with the March 2019 final principal payment. At present, the District continues to contract services with PMA Financial Group, Inc. and Ehler's in developing and analyzing the budgetary forecasts in order to provide the most accurate and timely budgetary information. The Original Budget for 2015-2016 shows general fund expenditures exceeding revenues by \$836,762. This planned deficit does include recurring salary and benefit costs needed to attract and retain staff. The budget forecast model shows even larger deficits in future years. The source of the larger forecasted deficits is a result of the Board of Education's desire not to reduce current staffing or programs. To address the forecasted deficits, the Board of Education and community are exploring the possibility of an operational referendum. 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 new provisions and requirements of the federal Affordable Care Act for health insurance, and the state voucher and open enrollment programs, and pending legislation (that if) adopted would limit local school board authority in going to referenda for operational or capital construction needs.

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, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 5,862,924	\$ 135,769	\$ 5,998,693
Receivables:			
Taxes	3,642,673	-	3,642,673
Accounts	7,205	1,439	8,644
Due from Fiduciary Funds	22,939	298	23,237
Due from Other Governments	714,075	-	714,075
Total Current Assets	10,249,816	137,506	10,387,322
Noncurrent Assets:			
Land and Land Improvements	2,679,270	-	2,679,270
Buildings and Building Improvements	43,674,030	-	43,674,030
Furniture and Equipment	8,695,438	485,705	9,181,143
Less: Accumulated Depreciation	(27,533,037)	(371,436)	(27,904,473)
Net Capital Assets	27,515,701	114,269	27,629,970
Total Noncurrent Assets	27,515,701	114,269	27,629,970
Restricted Assets:			
Net Pension Asset	3,043,002	57,505	3,100,507
Net OPEB Asset	966,605	-	966,605
Total Restricted Assets	4,009,607	57,505	4,067,112
Total Assets	41,775,124	309,280	42,084,404
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	2,557,109	48,322	2,605,431
Total Assets and Deferred Outflows of Resources	\$ 44,332,233	\$ 357,602	\$ 44,689,835
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 160,109	\$ -	\$ 160,109
Deposits	-	35,918	35,918
Accrued Liabilities:			
Payroll and Related Items	1,956,907	-	1,956,907
Interest	3,740	-	3,740
Current Portion of Long-Term Obligations	1,252,002	-	1,252,002
Total Current Liabilities	3,372,758	35,918	3,408,676
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	1,476,946	-	1,476,946
Accrued Pension Stipend Liability	747,521	-	747,521
Total Noncurrent Liabilities	2,224,467	-	2,224,467
Total Liabilities	5,597,225	35,918	5,633,143
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	23,993	453	24,446
NET POSITION			
Net Investment in Capital Assets	24,786,753	114,269	24,901,022
Restricted	6,596,503	206,962	6,803,465
Unrestricted	7,327,759	-	7,327,759
Total Net Position	38,711,015	321,231	39,032,246
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 44,332,233	\$ 357,602	\$ 44,689,835

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Activities
For the Year Ended June 30, 2015**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
Instruction						
Regular Instruction	\$ 15,111,440	\$ 1,684,261	\$ 878,374	\$ (12,548,805)	\$ -	\$ (12,548,805)
Vocational Instruction	1,133,758	8,342	6,810	(1,118,606)	-	(1,118,606)
Special Education Instruction	4,070,740	260,049	1,268,193	(2,542,498)	-	(2,542,498)
Other Instruction	1,898,736	217,419	500	(1,680,817)	-	(1,680,817)
Total Instruction	<u>22,214,674</u>	<u>2,170,071</u>	<u>2,153,877</u>	<u>(17,890,726)</u>	<u>-</u>	<u>(17,890,726)</u>
Support Services						
Pupil Services	1,597,675	30,818	298,343	(1,268,514)	-	(1,268,514)
Instructional Staff Services	1,907,302	1,704	118,184	(1,787,414)	-	(1,787,414)
General Administration Services	1,529,852	9,747	325	(1,519,780)	-	(1,519,780)
Building Administration Services	2,086,330	900	-	(2,085,430)	-	(2,085,430)
Business Services	683,182	-	-	(683,182)	-	(683,182)
Operations and Maintenance	3,703,035	40,000	-	(3,663,035)	-	(3,663,035)
Pupil Transportation	1,530,266	113,766	200,413	(1,216,087)	-	(1,216,087)
Central Services	147,666	-	-	(147,666)	-	(147,666)
Insurance	302,994	41,790	-	(261,204)	-	(261,204)
Interest and Fiscal Charges on Debt	33,471	-	-	(33,471)	-	(33,471)
Other Support Services	183,961	-	-	(183,961)	-	(183,961)
Community Services	130,186	79,037	-	(51,149)	-	(51,149)
Depreciation	1,177,726	-	-	(1,177,726)	-	(1,177,726)
Total Support Services	<u>15,013,646</u>	<u>317,762</u>	<u>617,265</u>	<u>(14,078,619)</u>	<u>-</u>	<u>(14,078,619)</u>
Total Governmental Activities	<u>37,228,320</u>	<u>2,487,833</u>	<u>2,771,142</u>	<u>(31,969,345)</u>	<u>-</u>	<u>(31,969,345)</u>
Business-Type Activities						
Food Service Program	1,095,465	700,541	449,644	-	54,720	54,720
Total Business-Type Activities	<u>1,095,465</u>	<u>700,541</u>	<u>449,644</u>	<u>-</u>	<u>54,720</u>	<u>54,720</u>
Total Primary Government	<u>\$ 38,323,785</u>	<u>\$ 3,188,374</u>	<u>\$ 3,220,786</u>	<u>(31,969,345)</u>	<u>54,720</u>	<u>(31,914,625)</u>
General revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				12,230,716	-	12,230,716
Property Taxes, Levied for Debt Service				802,418	-	802,418
Property Taxes, Levied for Community Services				179,254	-	179,254
Federal and State Aid not Restricted to Specific Purpose						
General				19,681,327	-	19,681,327
Interest and Investment Earnings				5,686	65	5,751
Miscellaneous				88,459	-	88,459
Transfers				14,577	(14,577)	-
Total General Revenues				<u>33,002,437</u>	<u>(14,512)</u>	<u>32,987,925</u>
Special Item- Gain (Loss) on Disposal				(33,525)	(381)	(33,906)
Change in Net Position				<u>999,567</u>	<u>39,827</u>	<u>1,039,394</u>
Net Position - Beginning				32,162,562	176,545	32,339,107
Prior Period Adjustment				5,548,886	104,859	5,653,745
Net Position - Beginning, Restated				<u>37,711,448</u>	<u>281,404</u>	<u>37,992,852</u>
Net Position - Ending				<u>\$ 38,711,015</u>	<u>\$ 321,231</u>	<u>\$ 39,032,246</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,688,393	\$ 174,531	\$ 5,862,924
Receivables:			
Taxes	3,642,673	-	3,642,673
Accounts	-	7,205	7,205
Due from Other Funds	22,801	138	22,939
Due from Other Governments	687,959	26,116	714,075
Total Assets	<u>\$ 10,041,826</u>	<u>\$ 207,990</u>	<u>\$ 10,249,816</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 159,748	\$ 361	\$ 160,109
Accrued Payroll and Related Items	1,956,907	-	1,956,907
Total Liabilities	<u>2,116,655</u>	<u>361</u>	<u>2,117,016</u>
Fund Balances:			
Restricted	-	53,780	53,780
Assigned	120,488	153,849	274,337
Unassigned	7,804,683	-	7,804,683
Total Fund Balances	<u>7,925,171</u>	<u>207,629</u>	<u>8,132,800</u>
Total Liabilities and Fund Balances	<u>\$ 10,041,826</u>	<u>\$ 207,990</u>	<u>\$ 10,249,816</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, 2015**

Total fund balance, governmental funds	\$	8,132,800
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		27,515,701
<p>The net pension asset is not a current financial resource, and is therefore not reported in the fund statements.</p>		3,043,002
<p>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 used and therefore are not reported in the fund statements.</p>		
Net deferred outflows and inflows of resources		2,533,116
<p>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.</p>		
Net OPEB Asset		966,605
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
General obligation debt		(1,685,000)
Capital Leases Payable		(1,043,948)
Accrued interest on long-term debt		(3,740)
Accrued pension stipend liability		(747,521)
Net Position of Governmental Activities in the Statement of Net Position	\$	38,711,015

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, 2015**

	<u>General Fund</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 12,230,716	\$ 981,672	\$ 13,212,388
Other Local Sources	705,562	84,574	790,136
Inter-district Sources	1,498,820	51,613	1,550,433
Intermediate Sources	9,204	-	9,204
State Sources	21,510,179	-	21,510,179
Federal Sources	1,100,074	-	1,100,074
Other Sources	74,423	-	74,423
Total Revenues	<u>37,128,978</u>	<u>1,117,859</u>	<u>38,246,837</u>
EXPENDITURES			
Instruction			
Regular Instruction	16,349,260	-	16,349,260
Vocational Instruction	1,134,912	-	1,134,912
Special Instruction	3,912,791	161,545	4,074,336
Other Instruction	1,899,830	452	1,900,282
Total Instruction	<u>23,296,793</u>	<u>161,997</u>	<u>23,458,790</u>
Support Services			
Pupil Services	1,411,771	7,305	1,419,076
Instructional Staff Services	1,507,296	-	1,507,296
General Administration Services	1,371,472	-	1,371,472
Building Administration Services	2,084,462	3,906	2,088,368
Business Services	683,894	-	683,894
Operations and Maintenance	3,792,951	176,140	3,969,091
Pupil Transportation	1,519,963	-	1,519,963
Central Services	146,614	1,167	147,781
Insurance	302,994	-	302,994
Other Support Services	184,075	45	184,120
Community Services	-	130,237	130,237
Total Support Services	<u>13,005,492</u>	<u>318,800</u>	<u>13,324,292</u>
Debt Service			
Principal	641,779	785,000	1,426,779
Interest and Fiscal Charges	-	19,875	19,875
Total Debt Service	<u>641,779</u>	<u>804,875</u>	<u>1,446,654</u>
Total Expenditures	<u>36,944,064</u>	<u>1,285,672</u>	<u>38,229,736</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>184,914</u>	<u>(167,813)</u>	<u>17,101</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	28,695	-	28,695
Transfer In	-	170,234	170,234
Transfer Out	(170,234)	-	(170,234)
Total Other Financing Sources and Uses	<u>(141,539)</u>	<u>170,234</u>	<u>28,695</u>
Net Change in Fund Balances	43,375	2,421	45,796
Fund Balances - Beginning	7,881,796	205,208	8,087,004
Fund Balances - Ending	<u>\$ 7,925,171</u>	<u>\$ 207,629</u>	<u>\$ 8,132,800</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, 2015**

Net change in fund balances - total governmental funds: \$ 45,796

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

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 capital outlays (\$1,395,655) were less than depreciation (\$1,763,720) in the current period. (368,065)

Vested employee benefits are reported in the government funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.

Decrease in Net OPEB Asset (83,414)
Decrease in Net Pension Stipend Liability 27,055

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. (62,220)

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.

The amount of long-term debt principal payments in the current year is: 785,000
The amount of capital lease principal payments in the current year is: 626,957

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.

Change in amount of accrued interest not reflected on Governmental Funds 1,226

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.

Amount of current year required contributions into the defined benefit pension plan 1,178,861
Actuarially determined change in net pension asset between years, with some adjustments (1,151,629)

Change in net position of governmental activities \$ 999,567

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
Proprietary Funds
June 30, 2015**

	Food Service
ASSETS	
Current Assets:	
Cash and Investments	\$ 135,769
Accounts Receivable	1,439
Due from Other Funds - Fiduciary	298
Total Current Assets	137,506
Noncurrent Assets	
Furniture and Equipment	485,705
Less Accumulated Depreciation	(371,436)
Net Noncurrent Assets	114,269
Restricted Assets	
Net Pension Asset	57,505
Total Restricted Asset	57,505
Total Assets	309,280
DEFERRED OUTFLOWS OF RESOURCES	48,322
Total Assets and Deferred Outflows or Resources	\$ 357,602
LIABILITIES	
Current Liabilities:	
Deposits	\$ 35,918
Total Current Liabilities	35,918
Total Liabilities	35,918
DEFERRED INFLOWS OF RESOURCES	453
NET POSITION	
Net Investment in Capital Assets	114,269
Restricted for Pensions	105,374
Restricted for Food Service	101,588
Total Net Position	321,231
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 357,602

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, 2015**

	Food Service
OPERATING REVENUES	
Food Sales	\$ 700,541
State Sources	19,735
Federal Sources	359,552
Commodities	70,357
Total Operating Revenues	1,150,185
OPERATING EXPENSES	
Salaries and Fringes	533,663
Purchased Services	39,337
Food and Supplies	508,823
Depreciation	12,630
Other	1,012
Total Operating Expenses	1,095,465
Operating Income (Loss)	54,720
NON-OPERATING REVENUES	
Interest and Investment Revenue	65
Total Non-Operating Revenue (Expenses)	65
Transfers Out - Benefit Trust Payment	(14,577)
Special Item - Gain (Loss) on Disposal of Assets	(381)
Change in Net Position	39,827
Total Net Position - Beginning	176,545
Prior Period Adjustment	104,859
Total Net Position - Beginning, Restated	281,404
Total Net Position - Ending	\$ 321,231

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, 2015**

	Food Service
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 701,112
Cash received from other governmental payments	499,830
Cash received from miscellaneous sources	536
Cash payments to employees for services	(534,178)
Cash payments to utilities and other purchased services	(39,337)
Cash payments to suppliers for goods and services	(509,835)
Cash payments for other operating activities	(14,577)
Net cash provided (used) by operating activities	103,551
Cash Flows from Investing Activities:	
Interest on investments	65
Purchases of fixed assets	(4,625)
Net cash provided (used) by investing activities	(4,560)
Net increase (decrease) in cash and cash equivalents	98,991
Cash and equivalents- beginning of year	36,778
Cash and equivalents- end of year	\$ 135,769
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 54,720
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	12,630
Payment to benefit trust	(14,577)
Pension expense	(515)
Changes in assets and liabilities:	
Due to (from) other governments	50,186
Due to (from) other funds	536
Accounts receivable	179
Deposits	392
Net cash provided by operating activities	\$ 103,551
Noncash Noncapital Financing Activities:	
During the year the District received commodities from the U.S. Department of Agriculture in the amount of	\$ 70,357

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	<u>Agency Fund</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 136,759	\$ 2,025,788	\$ 2,162,547
Total Assets	<u>\$ 136,759</u>	<u>\$ 2,025,788</u>	<u>\$ 2,162,547</u>
LIABILITIES			
Due to Student Organizations	\$ 136,759	\$ -	\$ 136,759
Due to Other Funds	<u>-</u>	<u>23,236</u>	<u>23,236</u>
Total Liabilities	<u>136,759</u>	<u>23,236</u>	<u>159,995</u>
NET POSITION			
Restricted	-	2,002,552	2,002,552
Total Liabilities and Net Position	<u>\$ 136,759</u>	<u>\$ 2,025,788</u>	<u>\$ 2,162,547</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, 2015**

	<u>Employee Benefit Trust</u>
ADDITIONS	
Employer Contributions	\$ 1,137,751
Interest and Dividends	3,670
Employee Contributions	18,317
Total Additions	<u>1,159,738</u>
DEDUCTIONS	
Benefits Paid	<u>1,173,676</u>
Total Deductions	<u>1173676</u>
Change in Net Position	(13,938)
Due to Other Funds	<u>2,016,490</u>
Net Position - Ending	<u><u>\$ 2,002,552</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, 2015

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, 2015

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

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, 2015

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 sixty 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 2014 tax levy is used to finance operations of the District's fiscal year ended June 30, 2015. 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, 2015

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

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

Interfunds

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

Accounts Receivable

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

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	500	Straight-line	5-20 years
Furniture and equipment	500	Straight-line	5-10 years
Library books	500	Straight line	5 years

J. Other Obligations

Accrued Vacation Benefits

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

Sick Leave Benefits

Sick leave days accumulated up to 110 days do not vest and are recognized as expenses when paid. Teachers who accumulate sick leave days in excess of 110 days are compensated for the excess days in December of each year. The liability for days in excess of 110 days is accrued on the fund financial statements. Administrators are paid at retirement, a onetime payment for unused sick leave up to the number of days and at a rate agreed to in the administrator's contract. The current value of sick days payable upon retirement is \$26,999. 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, 2015

- 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, 2015. 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 outflow 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 inflow of resources represents 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, 2015

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.

O. Change in Accounting Principle

Effective July 1, 2014, the District adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Implementation of GASB Statement No. 68 required net position in the governmental activities to be increased by \$5,548,886, and net position in the business type activities to be increased by \$104,859. A prior period adjustment was made to reflect the January 1, 2014 beginning net pension asset of \$4,978,720 and beginning deferred outflows of resources of \$675,025 for District contributions to the WRS after the December 31, 2013 measurement date through June 30, 2014.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

2. Stewardship and Accountability (Continued)

Excess of Expenditures Over Appropriations

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

Fund	Function	Variance Amount
General	Regular Instruction	\$ 165,656

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, 2015

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 \$8,161,240 on June 30, 2015 as summarized below:

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Associated Risk</u>
Deposits with financial institutions	\$ 3,259,049	Custodial credit risk
Petty cash funds	8,250	None
LGIP	<u>4,893,941</u>	Credit risk, interest rate risk
 Total June 30, 2015	 <u><u>\$ 8,161,240</u></u>	

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

Basic financial statements	
Cash and investments	\$ 5,998,693
Fiduciary funds	
Employee-Benefit trust	2,025,788
Agency fund	<u>136,759</u>
Total	<u><u>\$ 8,161,240</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. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2015, 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, 2015

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 80 days.

<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>
Wisconsin Local Government Investment Pool	\$4,893,941	\$4,893,941

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, 2015, 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, 2015, \$1,976,754 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	\$ 1,976,754
	<u>\$ 1,976,754</u>

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

5. Capital Assets

	Balance 7/1/2014	Additions	Retirements	Balance 6/30/2015
Governmental Activities				
Land & land improvements	\$ 2,617,722	\$ 61,548	\$ -	\$ 2,679,270
Buildings and building improvements	43,034,360	639,670	-	43,674,030
Furniture and equipment	8,535,911	694,437	(534,910)	8,695,438
Total Government Activities	<u>54,187,993</u>	<u>1,395,655</u>	<u>(534,910)</u>	<u>55,048,738</u>
Less Accumulated Depreciation				
Land improvements	(946,249)	(82,644)	-	(1,028,893)
Buildings and building improvements	(20,392,169)	(1,063,104)	-	(21,455,273)
Furniture and equipment	(4,903,589)	(617,972)	472,690	(5,048,871)
Total Accumulated Depreciation	<u>(26,242,007)</u>	<u>(1,763,720)</u>	<u>472,690</u>	<u>(27,533,037)</u>
Net Governmental Activities Capital Assets	<u>\$ 27,945,986</u>	<u>\$ (368,065)</u>	<u>\$ (62,220)</u>	<u>\$ 27,515,701</u>
Business-Type Activities				
Furniture and equipment	\$ 481,620	\$ 4,625	\$ (540)	\$ 485,705
Less Accumulated Depreciation	(358,965)	(12,630)	159	(371,436)
Net Business-Type Capital Assets	<u>\$ 122,655</u>	<u>\$ (8,005)</u>	<u>\$ (381)</u>	<u>\$ 114,269</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 401,212
General administration services	159,214
Operations and maintenance of facilities	15,264
Pupil transportation	10,304
Depreciation not charged to a specific function	<u>1,177,726</u>
Total Depreciation for Governmental Activities	<u>\$ 1,763,720</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

6. Capital Lease

In March 2010, the District entered in to a capital lease agreement that calls for monthly payments of \$784. No interest is charged on this lease and imputed interest would be immaterial. The final payment on this agreement was made during the fiscal year.

In January 2014, the District entered in to a capital lease agreement for the purpose of facilitating the acquisition of Equipment. Future minimum lease payments are as follows:

Year Ended June 30,	
2016	\$ 636,293
2017	420,657
Total minimum lease payments	<u>1,056,950</u>
Less: Amount representing interest	<u>(13,002)</u>
Present Value of net minimum lease payments	<u><u>\$ 1,043,948</u></u>

7. Long-term Obligations

Long-term obligations of the District are as follows:

	Balance 7/1/2014	Issued	Retired	Balance 6/30/2015	Amount Due Within One Year
<u>General obligation debt</u>					
Bonds payable	\$ 1,965,000	\$ -	\$ 620,000	\$ 1,345,000	\$ 455,000
Notes payable	505,000	-	165,000	340,000	170,000
Total GO Debt	<u>\$ 2,470,000</u>	<u>\$ -</u>	<u>\$ 785,000</u>	<u>\$ 1,685,000</u>	<u>\$ 625,000</u>
Capital Leases	\$ 1,670,905	\$ -	\$ 626,957	\$ 1,043,948	\$ 627,002
Total Debt	<u>\$ 4,140,905</u>	<u>\$ -</u>	<u>\$ 1,411,957</u>	<u>\$ 2,728,948</u>	<u>\$ 1,252,002</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, 2015 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	\$ 340,000	\$ 170,000
Bonds	2/6/2013	.40-1.1%	3/1/2019	1,345,000	455,000
Total General Obligation Debt				<u>\$ 1,685,000</u>	<u>\$ 625,000</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

7. Long-term Obligations (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 625,000	\$ 14,960	\$ 639,960
2017	560,000	10,020	570,020
2018	380,000	4,740	384,740
2019	120,000	1,320	121,320
Totals	<u>\$ 1,685,000</u>	<u>\$ 31,040</u>	<u>\$ 1,716,040</u>

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,594,184,669. The legal debt limit and margin of indebtedness as of June 30, 2015, in accordance with §67.03(1) (b) of the Wisconsin statutes follows:

Debt Limit (10% of \$1,594,184,669)	\$ 159,418,467
Deduct long-term debt applicable to debt margin	<u>1,685,000</u>
Margin of indebtedness	<u>\$ 157,733,467</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

8. 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>
Fund balances:						
<u>Restricted for:</u>						
Debt Service Retirement	\$ -	\$ 28,470	\$ -	\$ -	\$ 25,310	\$ 53,780
<u>Assigned for:</u>						
Programs	120,488	-	120,545	33,304	-	274,337
<u>Unassigned</u>	<u>7,804,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,804,683</u>
Total Fund Balances	<u><u>\$7,925,171</u></u>	<u><u>\$ 28,470</u></u>	<u><u>\$ 120,545</u></u>	<u><u>\$ 33,304</u></u>	<u><u>\$ 25,310</u></u>	<u><u>\$8,132,800</u></u>

Net Position

Net position reported on the government-wide statement of net position at June 30, 2015 includes the following:

Governmental

Capital Assets Net of Depreciation	\$27,515,701
Less: Related Long-term Debt Outstanding	(1,685,000)
Less: Capital Leases Outstanding	(1,043,948)
Total Net Investment in Capital Assets	<u>24,786,753</u>
Restricted	
Debt Service	53,780
Net OPEB Asset	966,605
WRS Pension Plan	<u>5,576,118</u>
Total Restricted	<u>6,596,503</u>
Unrestricted	<u>7,327,759</u>
Total Governmental Activities Net Position	<u><u>\$38,711,015</u></u>

Business Type

Capital Assets Net of Depreciation	\$ 114,269
Total Net Investment in Capital Assets	<u>114,269</u>
Restricted	
Food Service	101,588
WRS Pension Plan	<u>105,374</u>
Total Restricted	<u>206,962</u>
Total Business-Type Activities Net Position	<u><u>\$ 321,231</u></u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

9. Interfund Transfers

Purpose	Receiving Fund	Paying Fund	Amount
Support Package Cooperative Fund	Package Cooperative Fund	General Fund	\$ 170,234
			<u>\$ 170,234</u>

On the government-wide statement of activities a transfer of \$14,577 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.

10. 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.

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and 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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

10. Pension Plan (Continued)

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>
2005	2.6%	7%
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

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 \$1,201,139 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

10. Pension Plan (Continued)

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

At June 30, 2015, the District reported a liability (asset) of (\$3,100,507) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.12622806%, which was a decrease of 0.00005533% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,211,128.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 449,477	\$ -
Net difference between projected and actual earnings on pension plan investments	1,501,415	-
Changes in proportion and difference between District contributions and proportionate share of contributions	-	(24,446)
District contributions subsequent to the measurement date	654,539	-
Total	\$ 2,605,431	\$ (24,446)

\$654,539 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 383,733	\$ (4,539)
2017	383,733	(4,539)
2018	383,733	(4,539)
2019	383,733	(4,539)
2020	383,733	(4,539)
Thereafter	32,228	(1,753)

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

10. Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset):	December 31, 2014
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% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

10. Pension Plan (Continued)

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 3.56%. 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.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 8,747,063	\$ (3,100,507)	\$ (12,457,238)

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://legis.wisconsin.gov/lab/> and reference report number 15-11.

11. Prior Period Adjustment

A prior period adjustment has been recorded effective July 1, 2014 as follows:

	Governmental Activities	Busines-Type Activites
Total Net Position as previously reported	\$ 32,162,562	\$ 176,545
Implementation of GASB No. 68	5,548,886	104,859
Net Position as restated	\$ 37,711,448	\$ 281,404

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

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, 2013. 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, 2013, the date of the latest actuarial valuation.

Retirees	90
Active	<u>556</u>
Number of participating employees	<u><u>646</u></u>

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	\$ 1,227,745
Interest	(57,751)
ARC Adjustment	<u>51,171</u>
Annual OPEB cost (expense)	<u>1,221,165</u>
Contributions made	<u>(1,137,751)</u>
Change in net OPEB asset	83,414
Net OPEB obligation (asset) - beginning of year	<u>(1,050,019)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (966,605)</u></u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

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

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2013) 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
7/1/13	\$2,055,595	\$12,451,115	\$10,395,520	16.50%	\$17,558,084	59.21%

*WRS covered payroll

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.

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	7/1/2013
Actuarial cost method	Unit Credit
Amortization method	30 year open level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions*	
Investment rate of return	5.50%
Projected payroll increases	3.00%
Medical care trend	10.00% decreasing by 1.00% each year down to 5.00%
Long term care trend	10.00% decreasing by 1.00% each year down to 5.00%

*implicit in these rates is an assumed rate of inflation of 4.00%

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

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

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, 2013, 2014, and 2015 are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation (Asset)
6/30/2013	\$ 1,172,182	122.05%	\$ (604,646)
6/30/2014	\$ 1,223,955	136.39%	\$ (1,050,019)
6/30/2015	\$ 1,221,165	93.17%	\$ (966,605)

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

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 2014 fiscal year payment to retirees totaled \$82,333 and the total payments for the years ending June 30, 2014 and 2013 were \$77,823 and \$52,276, respectively.

Annual Pension Cost and Pension Obligation

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

Beginning Net Pension Obligation	\$ 774,576
Annual Required Contribution	50,425
Interest	42,602
Adjustment	(37,749)
Payments	<u>(82,333)</u>
Net Pension Obligation End of Year	<u><u>\$ 747,521</u></u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2015

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, 2015 are not likely to have material adverse impact on the District's financial position.

17. Subsequent Events

On November 12, 2015, the District approved a taxable promissory note for cash flow purposes for the 2015-2016 fiscal year. The note allows the District to borrow up to \$1.8M and carries an interest rate of 1.5% and is due no later than November 1, 2016.

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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 12,230,916	\$ 12,230,916	\$ 12,230,716	\$ (200)
Other Local Sources	661,665	713,805	705,562	(8,243)
Inter-District Sources	1,528,197	1,529,697	1,457,063	(72,634)
Intermediate Sources	2,836	2,836	1,704	(1,132)
State Sources	20,457,793	20,488,840	20,432,965	(55,875)
Federal Sources	492,225	492,225	525,079	32,854
Other Sources	78,000	78,000	74,356	(3,644)
Total Revenues	<u>35,451,632</u>	<u>35,536,319</u>	<u>35,427,445</u>	<u>(108,874)</u>
EXPENDITURES				
Instruction				
Regular Instruction	16,504,931	16,183,604	16,349,260	(165,656)
Vocational Instruction	1,220,059	1,151,040	1,134,912	16,128
Special Instruction	398,015	397,464	401,098	(3,634)
Other Instruction	1,985,455	1,962,376	1,899,830	62,546
Total Instruction	<u>20,108,460</u>	<u>19,694,484</u>	<u>19,785,100</u>	<u>(90,616)</u>
Support Services				
Pupil Services	781,664	767,371	756,422	10,949
Instructional Staff Services	1,416,415	1,394,603	1,278,912	115,691
General Administration Services	1,425,758	1,393,927	1,371,472	22,455
Building Administration Services	2,123,344	2,095,756	2,084,462	11,294
Business Services	702,097	691,602	676,335	15,267
Operations and Maintenance	3,194,154	3,852,829	3,791,122	61,707
Pupil Transportation	1,204,832	1,132,832	1,106,174	26,658
Central Services	143,331	155,231	146,614	8,617
Insurance	308,398	308,598	302,994	5,604
Principal and Interest	642,480	642,480	641,779	701
Other Support Services	236,363	242,724	184,075	58,649
Total Support Services	<u>12,178,836</u>	<u>12,677,953</u>	<u>12,340,361</u>	<u>337,592</u>
Total Expenditures	<u>32,287,296</u>	<u>32,372,437</u>	<u>32,125,461</u>	<u>246,976</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,164,336</u>	<u>3,163,882</u>	<u>3,301,984</u>	<u>138,102</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	80,655	80,655	28,695	(51,960)
Transfer to Special Education Fund	(3,182,580)	(3,182,126)	(3,117,070)	65,056
Transfer to Package Cooperative Fund	(197,702)	(197,702)	(170,234)	27,468
Total Other Financing Sources and Uses	<u>(3,299,627)</u>	<u>(3,299,173)</u>	<u>(3,258,609)</u>	<u>40,564</u>
Net Change in Fund Balances	(135,291)	(135,291)	43,375	178,666
Fund Balances - Beginning	7,881,796	7,881,796	7,881,796	-
Fund Balances - Ending	<u>\$ 7,746,505</u>	<u>\$ 7,746,505</u>	<u>\$ 7,925,171</u>	<u>\$ 178,666</u>

**School District of Milton
Milton, Wisconsin**

**Budgetary Comparison Schedule for the
Special Education Fund - Budget and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interdistrict	\$ 31,055	\$ 31,055	\$ 41,757	\$ 10,702
Intermediate	7,500	7,500	7,500	-
State	1,078,611	1,078,611	1,077,214	(1,397)
Federal	718,831	718,833	574,995	(143,838)
Other Sources	1,000	2,200	67	(2,133)
Total Revenues	<u>1,836,997</u>	<u>1,838,199</u>	<u>1,701,533</u>	<u>(136,666)</u>
EXPENDITURES				
Instruction				
Regular Instruction	3,000	4,700	-	4,700
Special Instruction	3,545,913	3,672,370	3,511,693	160,677
Total Instruction	<u>3,548,913</u>	<u>3,677,070</u>	<u>3,511,693</u>	<u>165,377</u>
Support Services				
Pupil Services	650,667	650,997	655,349	(4,352)
Instructional Staff Services	324,462	255,731	228,384	27,347
Business Services	7,000	7,000	7,559	(559)
Operations and Maintenance	2,325	2,325	1,829	496
Pupil Transportation	486,210	427,202	413,789	13,413
Total Support Services	<u>1,470,664</u>	<u>1,343,255</u>	<u>1,306,910</u>	<u>36,345</u>
Total Expenditures	<u>5,019,577</u>	<u>5,020,325</u>	<u>4,818,603</u>	<u>201,722</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,182,580)</u>	<u>(3,182,126)</u>	<u>(3,117,070)</u>	<u>65,056</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>3,182,580</u>	<u>3,182,126</u>	<u>3,117,070</u>	<u>(65,056)</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, 2015**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 35,427,445	\$ 1,701,533
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	1,701,533	(1,701,533)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 37,128,978	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 32,125,461	\$ 4,818,603
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	4,818,603	(4,818,603)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 36,944,064	\$ -

**School District of Milton
Milton, Wisconsin**

**Schedule of Funding Progress
June 30, 2015**

Other Post Employment Benefits

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*
7/1/2009	\$ 1,499,112	\$17,171,643	\$15,672,531	8.73%	\$16,113,951	97.26%
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%

*WRS Covered Payroll

Supplemental Pension (Stipend) Benefit

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*
7/1/2009	\$ -	\$ 617,232	\$ 617,232	0%	N/A	N/A
7/1/2011	\$ -	\$ 513,354	\$ 513,354	0%	N/A	N/A
7/1/2013	\$ -	\$ 488,856	\$ 488,856	0%	N/A	N/A

*Information not available.

**MILTON SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM
June 30, 2015**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years***

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1262%
District's proportionate share of the net pension liability (asset)	\$ (3,100,507)
District's covered-employee payroll	\$ 17,159,106
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

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

**MILTON SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM
June 30, 2015**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Last 10 Fiscal Years***

	<u>2015</u>
Contractually required contributions	\$ 1,201,139
Contributions in relation to the contractually required contributions	\$ 1,201,139
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 17,159,106
Contributions as a percentage of covered-employee payroll	7.00%

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

**MILTON SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM
June 30, 2015**

Notes to Required Supplementary Information

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

Changes of assumptions. There were no changes in the assumptions.

OTHER SUPPLEMENTAL INFORMATION

**School District of Milton
Milton, Wisconsin**

**Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets:				
Cash and Cash Equivalents	\$ 134,366	\$ 552,005	\$ 549,612	\$ 136,759
Total Assets	<u>\$ 134,366</u>	<u>\$ 552,005</u>	<u>\$ 549,612</u>	<u>\$ 136,759</u>
Liabilities:				
Milton High School	\$ 120,338	\$ 507,784	\$ 504,712	\$ 123,410
Milton Middle School	10,542	30,481	30,412	10,611
Northside Elementary	3,486	13,740	14,488	2,738
Total Liabilities	<u>\$ 134,366</u>	<u>\$ 552,005</u>	<u>\$ 549,612</u>	<u>\$ 136,759</u>

**School District of Milton
Milton, Wisconsin**

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015**

	<u>Debt Service</u>	<u>Special Revenue Trust</u>	<u>Community Service Fund</u>	<u>Non- Referendum Debt Service</u>	<u>Package Cooperative Fund</u>	<u>Total Non- Major Governmental Funds</u>
ASSETS						
Cash and Investments	\$ 28,470	\$ 33,304	\$ 113,563	\$ 25,310	\$ (26,116)	\$ 174,531
Due from Other Funds	-	-	138	-	-	138
Accounts receivable	-	-	7,205	-	-	7,205
Due from Other Governments	-	-	-	-	26,116	26,116
Total Assets	<u>\$ 28,470</u>	<u>\$ 33,304</u>	<u>\$ 120,906</u>	<u>\$ 25,310</u>	<u>\$ -</u>	<u>\$ 207,990</u>
LIABILITIES AND FUND BALANCES						
Fund Balances:						
Restricted	\$ 28,470	\$ -	\$ -	\$ 25,310	\$ -	\$ 53,780
Assigned	-	33,304	120,545	-	-	153,849
Total Fund Balances	<u>28,470</u>	<u>33,304</u>	<u>120,545</u>	<u>25,310</u>	<u>-</u>	<u>207,629</u>
Total Liabilities and Fund Balances	<u>\$ 28,470</u>	<u>\$ 33,304</u>	<u>\$ 120,906</u>	<u>\$ 25,310</u>	<u>\$ -</u>	<u>\$ 207,990</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, 2015**

	<u>Debt Service</u>	<u>Special Revenue Trust</u>	<u>Community Service Fund</u>	<u>Non- Referendum Debt Service</u>	<u>Package Cooperative Fund</u>	<u>Total Non- Major Governmental Funds</u>
REVENUES						
Property Taxes	\$ 631,750	\$ -	\$ 179,254	\$ 170,668	\$ -	\$ 981,672
Other Local Sources	70	336	82,604	76	1,488	84,574
Inter-District Sources	-	-	-	-	51,613	51,613
Total Revenues	<u>631,820</u>	<u>336</u>	<u>261,858</u>	<u>170,744</u>	<u>53,101</u>	<u>1,117,859</u>
EXPENDITURES						
Instruction						
Special Instruction	-	-	-	-	161,545	161,545
Other Instruction	-	-	-	-	452	452
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,997</u>	<u>161,997</u>
Support Services						
Pupil Services	-	-	-	-	7,305	7,305
Building Administrative Services	-	-	3,906	-	-	3,906
Operations and Maintenance	-	-	123,319	-	52,821	176,140
Central Services	-	-	-	-	1,167	1,167
Other Support Services	-	-	-	-	45	45
Community Services	-	-	130,237	-	-	130,237
Total Support Services	<u>-</u>	<u>-</u>	<u>257,462</u>	<u>-</u>	<u>61,338</u>	<u>318,800</u>
Debt Service						
Principal	620,000	-	-	165,000	-	785,000
Interest and Fiscal Charges	13,300	-	-	6,575	-	19,875
Total Debt Service	<u>633,300</u>	<u>-</u>	<u>-</u>	<u>171,575</u>	<u>-</u>	<u>804,875</u>
Total Expenditures	<u>633,300</u>	<u>-</u>	<u>257,462</u>	<u>171,575</u>	<u>223,335</u>	<u>1,285,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,480)</u>	<u>336</u>	<u>4,396</u>	<u>(831)</u>	<u>(170,234)</u>	<u>(167,813)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	170,234	170,234
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,234</u>	<u>170,234</u>
Net Change in Fund Balances	(1,480)	336	4,396	(831)	-	2,421
Fund Balances - Beginning	29,950	32,968	116,149	26,141	-	205,208
Fund Balances - Ending	<u>\$ 28,470</u>	<u>\$ 33,304</u>	<u>\$ 120,545</u>	<u>\$ 25,310</u>	<u>\$ -</u>	<u>\$ 207,629</u>

SINGLE AUDIT

SCHOOL DISTRICT OF MILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Awarding Agency Pass-Through Agency <u>Award Description</u>	Federal Catalog <u>Number</u>	<u>Receivable</u> July 1, 2014	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> June 30, 2015
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
<u>Child Nutrition Cluster</u>					
Donated Commodities	10.555	\$ -	\$ 70,357	\$ 70,357	\$ -
Food Service Aid - Breakfast	10.553	6,782	48,734	41,952	-
National School Lunch Program	10.555	43,404	361,004	317,600	-
Total Child Nutrition Cluster		50,186	480,095	429,909	-
Total U.S. Department of Agriculture		50,186	480,095	429,909	-
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title II-A Teacher/Principal	84.367	3,328	59,476	56,148	-
ESEA Title II-D Education Technology	84.318	-	-	11,326	11,326
ESEA Title I-A Basic Grant	84.010	29,765	322,706	329,858	36,917
<u>Special Education Cluster (IDEA)</u>					
IDEA Flow Through	84.027	51,182	482,131	477,559	46,610
IDEA CEIS Entitlement	84.027	-	3,725	3,725	-
IDEA Preschool Entitlement	84.173	774	12,204	12,628	1,198
High Cost of Special Education Aid	84.027	-	4,113	4,113	-
Passed through CESA 2:					
Regional Service Network Discretionary Grant	84.027	-	7,500	7,500	-
Total Special Education Cluster (IDEA)		51,956	509,673	505,525	47,808
<u>Career and Technical Education Basic Grants</u>					
Passed through School District of Edgerton:					
Carl Perkins	84.048	2,545	4,778	3,392	1,159
Total Career and Technical Education Basic Grants		2,545	4,778	3,392	1,159
Passed through CESA 5:					
ESEA III-A English Language Acquis	84.365	-	1,704	1,704	-
Total U.S. Department of Education		87,594	898,337	907,953	97,210
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	26,710	223,326	197,905	1,289
Total U.S. Department of Health and Human Services		26,710	223,326	197,905	1,289
Total Federal Awards		\$ 164,490	\$ 1,601,758	\$ 1,535,767	\$ 98,499

See notes to schedules of awards

SCHOOL DISTRICT OF MILTON
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2015

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	<u>Receivable</u> July 1, 2014	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> June 30, 2015
Wisconsin Department of Public Instruction:					
Entitlement Programs:					
Special Education and School Age Parents	255.101	\$ -	\$ 1,076,129	\$ 1,076,129	\$ -
Common School Fund Library	255.103	-	131,257	131,257	-
Pupil Transportation	255.107	-	82,831	82,831	-
Equalization	255.201	338,784	19,647,237	19,653,454	345,001
Per Pupil Aid	255.945	-	517,050	517,050	-
High Cost of Special Education	255.210	-	1,085	1,085	-
Cost Reimbursement Programs:					
State School Lunch	255.102	-	13,071	13,071	-
WI School Day Milk Program	255.109	-	2,425	2,425	-
School Breakfast Program	255.344	-	4,239	4,239	-
Wisconsin's Movin Schools	255.345	-	500	500	-
Educator Effective Evaluation System Grant	255.940	-	20,000	20,000	-
Subtotal Wisconsin Department of Public Instruction		338,784	21,495,824	21,502,041	345,001
Department of Workforce Development					
Passed Through District of Edgerton					
School - to - Work Partnership Youth Grant	445.107	10,356	16,481	6,810	685
Total State Awards		\$ 349,140	\$ 21,512,305	\$ 21,508,851	\$ 345,686

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, 2015

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*.

Note 3 Special Education and School Age Parents Program

2014-2015 eligible costs under the State Special Education Program are \$3,955,763.

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 (\$70,357).

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

November 23, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise School District of Milton's basic financial statements, and have issued our report thereon dated November 23, 2015.

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



Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

November 23, 2015

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 Circular A-133 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, 2015. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, 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, 2015.

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 *OMB Circular A-133* and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Milton's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133* 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, 2015**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
* Material weakness identified?	No
* Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
84.027, 84.173	IDEA Cluster

Dollar threshold for distinguishing Types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SCHOOL DISTRICT OF MILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

State Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major state programs:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents
255.201	Equalization Aid
225.103	Common School Fund Library Aid
255.107	Pupil Transportation Aid

Section II – Financial Statement Finding

None

Section III – Federal and State Award Findings and Questioned Costs

None

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	N/A
Department of Public Instruction	No
Department of Administration	N/A
Office of Justice Assistance	N/A

**SCHOOL DISTRICT OF MILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section IV – Other Issues (Continued)

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? No
An Audit
Communication
Letter was submitted
to the oversight body

4. Name and signature of partner



Kevin Krysinski, CPA

5. Date of report: November 23, 2015