



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, 2014

Quality service through our commitment to clients and staff.

www.johnsonblock.com

SCHOOL DISTRICT OF MILTON

Table of Contents

For the Year Ended June 30, 2014

	Page
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-x
FINANCIAL STATEMENTS:	
Statement of Net Position – Governmental and Business-type Activities	1
Statement of Activities – Governmental and Business-type Activities	2
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	8
Statement of Cash Flows – Proprietary Funds	9
Statement of Fiduciary Net Position.....	10
Statement of Changes in Fiduciary Net Position – Employee Benefit Trust	11
Notes to Financial Statements	12-30
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule for the General Fund – Budget and Actual	31
Budgetary Comparison Schedule for the Special Education Fund – Budget and Actual	32
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenses	33
Schedule of Funding Progress for Other Post Employment Benefits (OPEB) Plan, and Schedule of Funding Progress for Supplemental Pension (Stipend) Benefit.....	34

SCHOOL DISTRICT OF MILTON

Table of Contents (Continued)

For the Year Ended June 30, 2014

OTHER SUPPLEMENTAL INFORMATION:

Schedule of Changes in Assets and Liabilities – Agency Funds.....	35
Combining Balance Sheet – Non-Major Governmental Funds.....	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	37

SINGLE AUDIT:

SCHEDULES OF FEDERAL AND STATE AWARDS:

Schedule of Expenditures of Federal Awards.....	38
Schedule of Expenditures of State Awards.....	39
Notes to Schedules of Expenditures of Federal and State Awards	40

SINGLE AUDIT REPORTS AND SCHEDULES

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42
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	43-44
Schedule of Findings and Questioned Costs	45-47



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 21, 2014

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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of funding progress on pages i-x and 31-34 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 21, 2014, 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, 2014

This is the tenth year the school district is filing the audit statement in compliance with the Government Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

Total governmental assets of the district are \$39,062,285. Total governmental net position after deducting liabilities are \$32,162,562. Actual beginning total governmental net position was \$31,333,863. This represents an increase in total governmental net position of \$828,699.

In terms of general fund operations, we had a Surplus of Revenues and Other Sources over Expenditures and Other Uses of \$622,568. This increased our fund balance from \$7,259,228 at the beginning of the year to \$7,881,796 at year-end. This fund balance is approximately 20.7% of our general fund 2013-2014 actual expenditures. Because this fund balance does not meet cash flow timing needs, annual, short-term borrowing is necessary.

The district experienced a decrease of 2 students in enrollment (September DPI Student Headcount) in 2013-14. The decrease in overall student enrollment can be attributed to smaller incoming kindergarten classes. In 2012-2013 our kindergarten resident enrollment was 243 students. In 2013-2014 our kindergarten resident enrollment dropped to 189 students. As a comparison, the graduation senior class in 2013-2014 had 276 resident students. The 2013-2014 fiscal year was the third year of the MPK four-year old kindergarten program. Enrollment in the MPK program for our resident count increased by 16 students over 2012-13.

The general fund (Fund 10) reported an increase in fund balance of \$622,568 at the end of the fiscal year. The adopted Original Budget (October) had a planned general fund fund balance increase of \$107,646. The difference in the additional increase to fund balance was primarily due to underspent expenditure budgets budgeted numbers. The food service fund (Fund 50) experienced revenues exceeding expenditures by \$12,786 and increased the food service fund balance to \$53,890. The department incorporated cost savings measures in staffing and food purchasing to achieve avoiding a deficit. The prior year (2012-2013) the food service department had a loss of \$88,456. Overall participation rates for student/staff eating breakfast and lunch meals continue to be a challenge. The significant nutritional standards mandated under the Healthy, Hunger-Free Kids' Act of 2010 has been a factor with participation and meal (HHFKA).

In 2013-2014 the district started using a HRA (Health Reimbursement Arrangement) to lower health insurance premium costs for the district and employees.

In January 2014, the District entered into a capital lease agreement for the purpose of facilitating the acquisition of Equipment. The two leases with Apple, Inc. were to obtain student and staff computers (1:1 initiative). The leases totaled \$2.3 million dollars.

The Board of Education at nearly every Board Meeting accepts gracious gifts and donations that assist the programs and projects for our students and staff. Gift and donations recorded in 2013-2014 totaled \$102,585.

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.

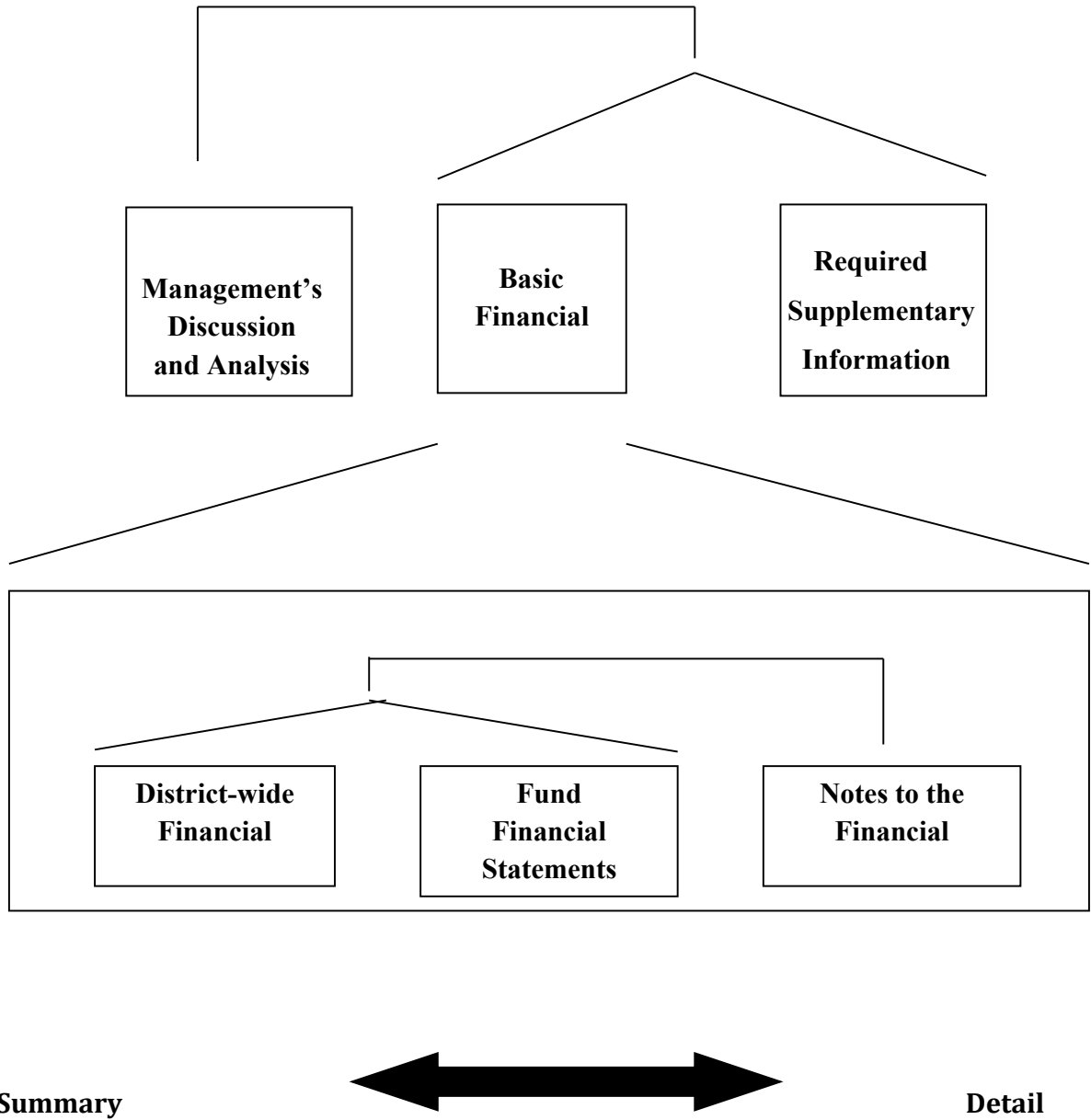


Figure A-2 summarizes the major features of the district’s financial statement, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents 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 (like repaying its long-term debt) or to show that it is properly using certain revenues (like 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, 2014. 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>		
	2014	2013	2014	2013	2014	2013	
Current & other assets	\$ 11.1	\$ 11.4	\$ 0.1	\$ 0.1	\$ 11.2	\$ 11.5	
Capital assets	28.0	27.5	0.1	0.1	28.1	27.6	
Total Assets	\$ 39.1	\$ 38.9	\$ 0.2	\$ 0.2	\$ 39.3	\$ 39.1	
Long-term debt outstanding	\$ 3.5	\$ 3.3	\$ -	\$ -	\$ 3.5	\$ 3.3	
Other liabilities	3.4	4.3	-	-	3.4	4.3	
Total Liabilities	6.9	7.6	-	-	6.9	7.6	
Net Position Invested in							
Capital Assets Net of							
Related Debt	23.8	24.1	0.1	0.1	23.9	24.2	
Restricted	0.1	0.1	0.1	0.1	0.2	0.2	
Unrestricted	8.3	7.1	-	-	8.3	7.1	
Total Net Position	\$ 32.2	\$ 31.3	\$ 0.2	\$ 0.2	\$ 32.4	\$ 31.5	

In governmental activities, the largest portion (74%) 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, below, shows the changes in Net Position for the fiscal year ended June 30, 2014 from all governmental activities. As shown below, general revenues provide about 87% of the funding for governmental activities. The District relies on property taxes for 36% of its governmental activity revenue.

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>School District</u>	
	2014	2013	2014	2013	2014	2013
General Revenues:						
Property taxes	\$ 13.7	\$ 13.1	\$ -	\$ -	\$ 13.7	\$ 13.1
State formula aid	18.9	19.0	-	-	18.9	19.0
Other	0.1	-	-	-	0.1	-
Total general revenues	32.7	32.1	-	-	32.7	32.1
Program revenues:						
Charges for service	2.2	2.1	0.8	0.8	3.0	2.9
Grants and Contributions	2.7	2.5	0.5	0.5	3.2	3.0
Total program revenues	4.9	4.6	1.3	1.3	6.2	5.9
Total revenues	37.6	36.7	1.3	1.3	38.9	38.0
Program Expenses:						
Instruction	21.5	21.4	-	-	21.5	21.4
Pupil & instructional services	3.1	3.0	-	-	3.1	3.0
Administration and business	5.3	4.2	-	-	5.3	4.2
Maintenance and operations	3.6	3.2	-	-	3.6	3.2
Transportation	1.5	1.7	-	-	1.5	1.7
Community service	0.1	0.1	-	-	0.1	0.1
Interest on debt	0.1	0.1	-	-	0.1	0.1
Other	1.6	1.6	1.2	1.3	2.8	2.9
Total Expenses	36.8	35.3	1.2	1.3	38.0	36.6
Transfers In (Out)	0.1	-	(0.1)	-	-	-
Change in Net Position	0.9	1.4	-	-	0.9	1.4
Beginning Net Position	31.3	29.9	0.2	0.2	31.5	30.1
Ending Net Position	\$ 32.2	\$ 31.3	\$ 0.2	\$ 0.2	\$ 32.4	\$ 31.5

Capital Asset and Debt Administration

Capital Assets:

At the end of the 2014 fiscal year, the District had invested over \$54.7 million in a broad range of capital assets, including buildings, sites, library books, and equipment (see table 3). Additional information about capital assets can be found in Note 5. Total accumulated depreciation on these assets was \$26.2 million for governmental activities and \$.4 million for business-type activities.

- Asset acquisition for governmental activities totaled \$2,153,075 and \$12,759 for the food service program.
- The District recognized depreciation expense of \$1,632,794 for governmental activities and \$13,663 for the food service program during the fiscal year.
- Major capital asset additions for the year included: asphalt improvements, asbestos abatement, roofing replacement, digital HVAC controls, air handler upgrades, carpeting and tile, electrical upgrades, swimming pool repairs, wood gym floor replacement (cover), technology education renovation, computers/equipment (1:1 initiative), baseball scoreboard and mound, batting cage, weight room equipment, soccer goal, custodial cleaning equipment, Chevrolet Suburban, boiler replacement, 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land & improvements	\$ 2.6	\$ 2.5	\$ -	\$ -	\$ 2.6	\$ 2.5
Building & building improvements	43.0	42.8	-	-	43.0	42.8
Equipment & furniture	8.6	7.1	0.5	0.4	9.1	7.5
Accumulated depreciation	(26.2)	(24.9)	(0.4)	(0.3)	(26.6)	(25.2)
Total	<u>\$ 28.0</u>	<u>\$ 27.5</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 28.1</u>	<u>\$ 27.6</u>

Long-Term Debt:

At year-end the District had \$2,470,000 in general obligation notes and bonds and \$1,670,905 in capital leases. 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 \$1,223,955. The District's actual contribution for the fiscal year was \$1,669,328. As a result of contributing more than the requirement the District has a cumulative net OPEB asset recorded on the government-wide statements of \$1,050,019 as of June 30, 2014. Additional information on long-term obligations and the District's OPEB plan can be found in Notes 8 and 13.

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 \$622,568. The current General Fund Balance represents approximately 20.7% of expenditures.

Approximately 35% 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 in August. This year taxes receivable at year-end was \$3,877,300.

The School 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 2013-2014 Budget levied at the maximum allowable amount under the Revenue Limit. The Board of Education approved general fund revenues at \$34,566,796 and expenditures at \$34,459,150. The Original Budget had anticipated revenue exceeding expenditures by \$107,646. The difference in the 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 purchased additional software (Skyward financial modules) to assist in more accurately budgeting for salary and fringe benefits. The newly implemented Health Reimbursement Arrangement (HRA) had unspent monies at June 30, 2014 in the amount of \$122,486. These remaining funds were assigned to Fund Balance to be utilized for HRA reimbursement in 2014-2015. Actual revenues received tracked more closely to budgeted revenues for 2013-2014 than did expenditures.

Debt Service Fund

The Debt Service Funds have a Fund Balance at year-end of \$56,091 (\$29,950 debt service fund and \$26,141 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 \$154,592,185 and our current bonds and notes payable are \$2,470,000, leaving a margin of indebtedness of \$152,122,185. This leaves us at 1.6% 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 is working with WASB (Wisconsin School Board Association) to develop a Stakeholder Driven Strategic Plan. The comprehensive Plan will assist the district in prioritizing educational and facility-related objectives. At present, the district continues to contract the services with PMA Financial Group, Inc. in developing and analyzing the five-year budgetary forecast in order to provide the most accurate and timely budgetary information. 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 Wisconsin's Educator Effectiveness requirements.

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, (608) 868-9200.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
June 30, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 5,560,763	\$ 36,778	\$ 5,597,541
Receivables:			
Taxes	3,877,300	-	3,877,300
Accounts	20,420	1,618	22,038
Due from fiduciary funds	42,930	834	43,764
Due from Other Governments	564,867	50,186	615,053
Total Current Assets	<u>10,066,280</u>	<u>89,416</u>	<u>10,155,696</u>
Noncurrent assets:			
Land and Land Improvements	2,617,722	-	2,617,722
Buildings and Building Improvements	43,034,360	-	43,034,360
Furniture and Equipment	8,535,911	481,620	9,017,531
Less: Accumulated Depreciation	<u>(26,242,007)</u>	<u>(358,965)</u>	<u>(26,600,972)</u>
Net Capital Assets	27,945,986	122,655	28,068,641
Net OPEB Asset	1,050,019	-	1,050,019
Total Noncurrent Assets	<u>28,996,005</u>	<u>122,655</u>	<u>29,118,660</u>
Total Assets	<u>\$ 39,062,285</u>	<u>\$ 212,071</u>	<u>\$ 39,274,356</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 63,907	\$ -	\$ 63,907
Deposits	-	35,526	35,526
Accrued Liabilities:			
Payroll and Related Items	1,915,369	-	1,915,369
Interest	4,966	-	4,966
Current Portion of Long-Term Obligations	1,411,957	-	1,411,957
Total Current Liabilities	<u>3,396,199</u>	<u>35,526</u>	<u>3,431,725</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	2,728,948	-	2,728,948
Accrued Pension Stipend Liability	774,576	-	774,576
Total Noncurrent Liabilities	<u>3,503,524</u>	<u>-</u>	<u>3,503,524</u>
Total Liabilities	<u>6,899,723</u>	<u>35,526</u>	<u>6,935,249</u>
NET POSITION			
Net Investment in Capital Assets	23,805,081	122,655	23,927,736
Restricted	56,091	53,890	109,981
Unrestricted	8,301,390	-	8,301,390
Total Net Position	<u>32,162,562</u>	<u>176,545</u>	<u>32,339,107</u>
Total Liabilities and Net Position	<u>\$ 39,062,285</u>	<u>\$ 212,071</u>	<u>\$ 39,274,356</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Activities
For the Year Ended June 30, 2014**

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	\$ 15,076,452	\$ 1,432,873	\$ 550,818	\$ (13,092,761)	\$ -	\$ (13,092,761)
Vocational Instruction	941,975	10,410	10,601	(920,964)	-	(920,964)
Special Education Instruction	3,792,010	231,373	1,405,733	(2,154,904)	-	(2,154,904)
Other Instruction	1,718,790	190,869	311	(1,527,610)	-	(1,527,610)
Total Instruction	<u>21,529,227</u>	<u>1,865,525</u>	<u>1,967,463</u>	<u>(17,696,239)</u>	<u>-</u>	<u>(17,696,239)</u>
Support Services						
Pupil Services	1,329,425	28,594	314,902	(985,929)	-	(985,929)
Instructional Staff Services	1,767,027	1,441	130,812	(1,634,774)	-	(1,634,774)
General Administration Services	2,533,654	7,721	390	(2,525,543)	-	(2,525,543)
Building Administration Services	2,119,786	1,293	-	(2,118,493)	-	(2,118,493)
Business Services	665,918	-	-	(665,918)	-	(665,918)
Operations and Maintenance	3,609,007	43,889	-	(3,565,118)	-	(3,565,118)
Pupil Transportation	1,543,947	112,667	242,900	(1,188,380)	-	(1,188,380)
Central Services	42,214	-	-	(42,214)	-	(42,214)
Insurance	266,672	47,542	-	(219,130)	-	(219,130)
Interest and Fiscal Charges on Debt	22,356	-	-	(22,356)	-	(22,356)
Other Support Services	120,312	-	-	(120,312)	-	(120,312)
Community Services	106,287	75,808	-	(30,479)	-	(30,479)
Depreciation	1,163,053	-	-	(1,163,053)	-	(1,163,053)
Total Support Services	<u>15,289,658</u>	<u>318,955</u>	<u>689,004</u>	<u>(14,281,699)</u>	<u>-</u>	<u>(14,281,699)</u>
Total Governmental Activities	<u>36,818,885</u>	<u>2,184,480</u>	<u>2,656,467</u>	<u>(31,977,938)</u>	<u>-</u>	<u>(31,977,938)</u>
Business-Type Activities						
Food Service Program	1,167,828	755,272	457,145	-	44,589	44,589
Total Business-Type Activities	<u>1,167,828</u>	<u>755,272</u>	<u>457,145</u>	<u>-</u>	<u>44,589</u>	<u>44,589</u>
Total Primary Government	<u>\$ 37,986,713</u>	<u>\$ 2,939,752</u>	<u>\$ 3,113,612</u>	<u>(31,977,938)</u>	<u>44,589</u>	<u>(31,933,349)</u>
General revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				12,637,207	-	12,637,207
Property Taxes, Levied for Debt Service				927,098	-	927,098
Property Taxes, Levied for Community Services				179,254	-	179,254
Federal and State Aid not Restricted to Specific Purpose						
General				18,922,069	-	18,922,069
Interest and Investment Earnings				5,084	65	5,149
Miscellaneous				43,321	8	43,329
Transfers				31,816	(31,816)	-
Total General Revenues				<u>32,745,849</u>	<u>(31,743)</u>	<u>32,714,106</u>
Special Item- Gain (Loss) on Disposal				60,788	(60)	60,728
Change in Net Position				828,699	12,786	841,485
Net Position - Beginning				31,333,863	163,759	31,497,622
Net Position - Ending				<u>\$ 32,162,562</u>	<u>\$ 176,545</u>	<u>\$ 32,339,107</u>

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Balance Sheet
Governmental Funds
June 30, 2014**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,425,502	\$ 135,261	\$ 5,560,763
Receivables:			
Taxes	3,877,300	-	3,877,300
Accounts	5,113	15,307	20,420
Due from Other Funds	42,688	242	42,930
Due from Other Governments	510,469	54,398	564,867
Total Assets	\$ 9,861,072	\$ 205,208	\$ 10,066,280
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 63,907	\$ -	\$ 63,907
Accrued Payroll and Related Items	1,915,369	-	1,915,369
Total Liabilities	1,979,276	-	1,979,276
 Fund Balances:			
Restricted	-	56,091	56,091
Assigned	122,486	149,117	271,603
Unassigned	7,759,310	-	7,759,310
Total Fund Balances	7,881,796	205,208	8,087,004
Total Liabilities and Fund Balances	\$ 9,861,072	\$ 205,208	\$ 10,066,280

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, 2014**

Total fund balance, governmental funds	\$	8,087,004
----------------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		27,945,986
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	------------

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Net OPEB Asset		1,050,019

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
General obligation debt		(2,470,000)
Capital Leases Payable		(1,670,905)
Accrued interest on long-term debt		(4,966)
Accrued pension stipend liability		(774,576)

Net Position of Governmental Activities in the Statement of Net Position	\$	32,162,562
--------------------------------------------------------------------------	----	------------

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, 2014**

	General Fund	Total Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 12,637,207	\$ 1,106,352	\$ 13,743,559
Other Local Sources	619,543	82,739	702,282
Inter-district Sources	1,295,035	81,957	1,376,992
Intermediate Sources	8,941	-	8,941
State Sources	20,599,862	-	20,599,862
Federal Sources	1,104,219	-	1,104,219
Other Sources	93,290	659	93,949
Total Revenues	36,358,097	1,271,707	37,629,804
EXPENDITURES			
Instruction			
Regular Instruction	17,685,193	-	17,685,193
Vocational Instruction	941,975	-	941,975
Special Instruction	3,621,738	177,629	3,799,367
Other Instruction	1,714,283	997	1,715,280
Total Instruction	23,963,189	178,626	24,141,815
Support Services			
Pupil Services	1,361,003	7,373	1,368,376
Instructional Staff Services	1,484,885	-	1,484,885
General Administration Services	2,369,142	-	2,369,142
Building Administration Services	2,116,306	3,480	2,119,786
Business Services	666,231	-	666,231
Operations and Maintenance	3,409,255	184,353	3,593,608
Pupil Transportation	1,564,840	-	1,564,840
Central Services	41,057	1,157	42,214
Insurance	266,672	-	266,672
Other Support Services	103,685	55	103,740
Community Services	-	106,287	106,287
Total Support Services	13,383,076	302,705	13,685,781
Debt Service			
Principal	645,697	905,000	1,550,697
Interest and Fiscal Charges	528	25,449	25,977
Total Debt Service	646,225	930,449	1,576,674
Total Expenditures	37,992,490	1,411,780	39,404,270
Excess (Deficiency) of Revenues Over Expenditures	(1,634,393)	(140,073)	(1,774,466)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	110,885	-	110,885
Capital Lease Proceeds	2,301,712	-	2,301,712
Transfer In	-	155,636	155,636
Transfer Out	(155,636)	-	(155,636)
Total Other Financing Sources and Uses	2,256,961	155,636	2,412,597
Net Change in Fund Balances	622,568	15,563	638,131
Fund Balances - Beginning	7,259,228	189,645	7,448,873
Fund Balances - Ending	\$ 7,881,796	\$ 205,208	\$ 8,087,004

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, 2014**

Net change in fund balances - total governmental funds: \$ 638,131

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 (\$2,153,075) were more than depreciation (\$1,632,794) in the current period. 520,281

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.

Increase in Net OPEB Asset 445,373
Decrease in Net Pension Stipend Liability 22,403

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. (50,097)

Proceeds from issuing long-term Capital Leases are reported as revenue in the governmental funds but increase long term liabilities in the statement of net position. (2,301,712)

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: 905,000
The amount of capital lease principal payments in the current year is: 645,697

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 3,623

Change in net position of governmental activities \$ 828,699

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Net Position
Proprietary Funds
June 30, 2014**

	Food Service
ASSETS	
Current Assets:	
Cash and Investments	\$ 36,778
Accounts Receivables	1,618
Due from Other Funds - Fiduciary	834
Due from Other Governments	50,186
Total Current Assets	89,416
Noncurrent Assets	
Furniture and Equipment	481,620
Less Accumulated Depreciation	(358,965)
Net Noncurrent Assets	122,655
Total Assets	\$ 212,071
LIABILITIES	
Current Liabilities:	
Deposits	\$ 35,526
Total Current Liabilities	35,526
Total Liabilities	35,526
NET POSITION	
Net Investment in Capital Assets	122,655
Restricted for Food Service	53,890
Total Net Position	176,545
Total Liabilities and Net Position	\$ 212,071

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014**

	Food Service
OPERATING REVENUES	
Food Sales	\$ 755,272
State Sources	21,770
Federal Sources	358,728
Commodities	76,647
Miscellaneous Income	8
Total Operating Revenues	1,212,425
OPERATING EXPENSES	
Salaries and Fringes	571,405
Purchased Services	29,114
Food and Supplies	549,827
Depreciation	13,663
Other	3,819
Total Operating Expenses	1,167,828
Operating Income (Loss)	44,597
NON-OPERATING REVENUES	
Interest and Investment Revenue	65
Total Non-Operating Revenue (Expenses)	65
Transfers Out - Benefit Trust Payment	(31,816)
Special Item - Gain (Loss) on Disposal of Assets	(60)
Change in Net Position	12,786
Total Net Position - Beginning	163,759
Total Net Position - Ending	\$ 176,545

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, 2014**

	Food Service
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 752,472
Cash received from other governmental payments	414,553
Cash payments to miscellaneous sources	(826)
Cash payments to employees for services	(571,405)
Cash payments to utilities and other purchased services	(29,114)
Cash payments to suppliers for goods and services	(557,133)
Net cash provided (used) by operating activities	(23,269)
Cash Flows from Investing Activities:	
Interest on investments	65
Purchases of fixed assets	(12,759)
Net cash provided (used) by investing activities	(12,694)
Net increase (decrease) in cash and cash equivalents	(35,963)
Cash and equivalents- beginning of year	72,741
Cash and equivalents- end of year	\$ 36,778
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 44,597
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	13,663
Changes in assets and liabilities:	
Due to (from) other governments	(42,592)
Due to (from) other funds	(834)
Accounts receivable	(324)
Other liabilities	(3,487)
Deposits	(2,476)
Net cash provided by operating activities	\$ (23,269)
Noncash Noncapital Financing Activities:	
During the year the District received commodities from the U.S. Department of Agriculture in the amount of	\$ 76,647

See accompanying notes to the financial statements.

**School District of Milton
Milton, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	<u>Agency Fund</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 134,366	\$ 2,060,254	\$ 2,194,620
Total Assets	<u>\$ 134,366</u>	<u>\$ 2,060,254</u>	<u>\$ 2,194,620</u>
LIABILITIES			
Due to Student Organizations	\$ 134,366	\$ -	\$ 134,366
Due to other funds	-	43,764	43,764
Total Liabilities	<u>134,366</u>	<u>43,764</u>	<u>178,130</u>
NET POSITION			
Restricted	-	2,016,490	2,016,490
Total Liabilities and Net Position	<u>\$ 134,366</u>	<u>\$ 2,060,254</u>	<u>\$ 2,194,620</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, 2014**

	<u>Employee Benefit Trust</u>
ADDITIONS	
Employer Contributions	\$ 1,669,329
Interest and Dividends	4,294
Employee Contributions	31,374
Total Additions	1,704,997
 DEDUCTIONS	
Benefits Paid	1,744,102
Total Deductions	1,744,102
Change in Net Position	(39,105)
Net Position - Beginning	2,055,595
Net Position - Ending	\$ 2,016,490

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, 2014

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, 2014

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, 2014

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 2013 tax levy is used to finance operations of the district's fiscal year ended June 30, 2014. 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, 2014

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, 2014

1. 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 \$29,571. 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, 2014

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.

Net other post-employment benefit obligations

The District recognizes a net other post-employment benefit obligation (NOPEBO) at June 30, 2014. 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.

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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (Continued)
N. Fund Balance (Continued)

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. Effect of New Accounting Standard on Current Financial Statements

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Application of these standards may require restatement of portions of the government-wide statements.

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, 2014

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:

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
General	Regular Instruction	\$ 1,905,670
General	Other Instruction	28,613
General	Pupil Services	72,659
General	General Administration Services	936,920
General	Building Administration Services	48,321
General	Operations and Maintenance	37,787
General	Principal and Interest	631,820
Special Education	Pupil Transportation	20,933

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, 2014

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 \$7,792,161 on June 30, 2014 as summarized below:

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Associated Risk</u>
Deposits with financial institutions	\$ 2,124,317	Custodial credit risk
Petty cash funds	9,275	None
LGIP	<u>5,658,570</u>	Credit risk, interest rate risk
 Total June 30, 2014	 <u><u>\$ 7,792,161</u></u>	

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

Basic financial statements	
Cash and investments	\$ 5,597,541
Fiduciary funds	
Employee-Benefit trust	2,060,254
Agency fund	<u>134,366</u>
Total	<u><u>\$ 7,792,161</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, 2014, 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, 2014

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 90 days.

<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>
Wisconsin Local Government Investment Pool	\$5,658,570	\$5,658,570

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, 2014, 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, 2014, \$1,159,016 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	\$ 996,771
Uninsured and uncollateralized	162,245
	<u>\$ 1,159,016</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, 2014

5. Capital Assets

	Balance 7/1/2013	Additions	Retirements	Balance 6/30/2014
Governmental Activities				
Land & land improvements	\$ 2,531,559	\$ 86,163	\$ -	\$ 2,617,722
Buildings and building improvements	42,756,399	277,961	-	43,034,360
Furniture and equipment	7,144,851	1,788,951	(397,891)	8,535,911
Total Government Activities	52,432,809	2,153,075	(397,891)	54,187,993
Less Accumulated Depreciation				
Land improvements	(866,060)	(80,189)	-	(946,249)
Buildings and building improvements	(19,340,464)	(1,051,705)	-	(20,392,169)
Furniture and equipment	(4,750,483)	(500,900)	347,794	(4,903,589)
Total Accumulated Depreciation	(24,957,007)	(1,632,794)	347,794	(26,242,007)
Net Governmental Activities Capital Assets	\$ 27,475,802	\$ 520,281	\$ (50,097)	\$ 27,945,986
Business-Type Activities				
Furniture and equipment	\$ 469,461	\$ 12,759	\$ (600)	\$ 481,620
Less Accumulated Depreciation	(345,842)	(13,663)	540	(358,965)
Net Business-Type Capital Assets	\$ 123,619	\$ (904)	\$ (60)	\$ 122,655

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 292,471
General administration services	154,183
Operations and maintenance of facilities	14,444
Pupil transportation	8,643
Depreciation not charged to a specific function	1,163,053
Total Depreciation for Governmental Activities	<u>\$ 1,632,794</u>

6. Line of Credit

The District has a taxable revolving line of credit with a limit of \$1.2 million at June 30, 2014. The note bears interest at 1.25%. The line of credit has a term of one year ending no later than November 1, 2014. There were no borrowings against the line of credit at June 30, 2014. Interest paid on draws against the line totaled \$528.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

7. 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.

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,	
2015	\$ 641,780
2016	636,293
2017	420,657
Total minimum lease payments	<u>1,698,730</u>
Less: Amount representing interest	<u>(27,825)</u>
Present Value of net minimum lease payments	<u><u>\$ 1,670,905</u></u>

8. Long-term Obligations

Long-term obligations of the District are as follows:

	Balance 7/1/2013	Issued	Retired	Balance 6/30/2014	Amount Due Within One Year
<u>General obligation debt</u>					
Bonds payable	\$ 2,705,000	\$ -	\$ 740,000	\$ 1,965,000	\$ 620,000
Notes payable	670,000	-	165,000	505,000	165,000
Total GO Debt	<u>\$ 3,375,000</u>	<u>\$ -</u>	<u>\$ 905,000</u>	<u>\$ 2,470,000</u>	<u>\$ 785,000</u>
Capital Leases	\$ 14,890	\$ 2,301,712	\$ 645,697	\$ 1,670,905	\$ 626,957
Total Debt	<u>\$ 3,389,890</u>	<u>\$ 2,301,712</u>	<u>\$ 1,550,697</u>	<u>\$ 4,140,905</u>	<u>\$ 1,411,957</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, 2014 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	\$ 505,000	\$ 165,000
Bonds	2/6/2013	.40-1.1%	3/1/2019	1,965,000	620,000
Total General Obligation Debt				<u>\$ 2,470,000</u>	<u>\$ 785,000</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

8. Long-term Obligations (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2014 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 785,000	\$ 19,875	\$ 804,875
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>\$ 2,470,000</u>	<u>\$ 50,915</u>	<u>\$ 2,520,915</u>

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,545,921,849. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with §67.03(1) (b) of the Wisconsin statutes follows:

Debt Limit (10% of \$1,545,921,849)	\$ 154,592,185
Deduct long-term debt applicable to debt margin	<u>2,470,000</u>
Margin of indebtedness	<u>\$ 152,122,185</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

9. Fund Balances / Net Position

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

	General Fund	Debt Service	Community Service Fund	Special Revenue Trust	Non- Referendum Debt	Total
Fund balances:						
<u>Restricted for:</u>						
Debt Service Retirement	\$ -	\$ 29,950	\$ -	\$ -	\$ 26,141	\$ 56,091
<u>Assigned for:</u>						
Programs	122,486	-	116,149	32,968	-	271,603
<u>Unassigned</u>	7,759,310	-	-	-	-	7,759,310
 Total Fund Balances	<u>\$7,881,796</u>	<u>\$29,950</u>	<u>\$ 236,125</u>	<u>\$32,968</u>	<u>\$ 26,141</u>	<u>\$8,087,004</u>

Net Position

Net position reported on the government-wide statement of net position at June 30, 2014 includes the following:

Governmental

Capital Assets Net of Depreciation	\$ 27,945,986
Less: Related Long-term Debt Outstanding	(2,470,000)
Less: Capital Leases Outstanding	(1,670,905)
Total Net Investment in Capital Assets	<u>23,805,081</u>
 Restricted	
Debt Service	56,091
Total Restricted	<u>56,091</u>
 Unrestricted	
Total Governmental Activities Net Position	<u>8,301,390</u>
	<u>\$32,162,562</u>

Business Type

Capital Assets Net of Depreciation	\$ 122,655
Total Net Investment in Capital Assets	<u>122,655</u>
 Restricted	
Food Service	53,890
Total Restricted	<u>53,890</u>
Total Business-Type Activities Net Position	<u>\$ 176,545</u>

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

10. Interfund Transfers

Purpose	Receiving Fund	Paying Fund	Amount
Support Package Cooperative Fund	Package Cooperative Fund	General Fund	\$ 155,636
			<u>\$ 155,636</u>

On the government-wide statement of activities a transfer of \$31,816 was recorded to show the amount paid by the food service fund to the Employee Benefit Trust so that it is reflected in the governmental activities.

11. Employee Retirement Plans

All eligible School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. 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. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2013 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The information provided in this paragraph related to the WRS plan years for the calendar years ended December 2011-2013 which differs from the Districts fiscal year end of June 30. The payroll for the School District employees covered by the WRS for the year ended December 31, 2013 was \$17,558,084; the employer's total payroll was \$18,251,229. The total required contribution for the year ended December 31, 2013 was \$2,335,225, which consisted of \$1,167,613, or 6.7% of payroll from the employer and \$1,167,613, or 6.7% of payroll from employees. Total contributions for the years ending December 31, 2012 and 2011 were \$2,013,705 and \$1,963,424, respectively, equal to the required contributions for each year.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

11. Employee Retirement Plans (Continued)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to: Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

12. 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.

13. 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.

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

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

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	(33,256)
ARC Adjustment	<u>29,466</u>
Annual OPEB cost (expense)	1,223,955
Contributions made	<u>(1,669,328)</u>
Increase in net OPEB asset	(445,373)
Net OPEB obligation (asset) - beginning of year	<u>(604,646)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (1,050,019)</u></u>

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

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

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%

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, 2012, 2013, and 2014 are as follows:

Fiscal Year	Annual	Percentage	Net OPEB
End	OPEB	of Cost	Obligation
End	Cost	Contributed	(Asset)
6/30/2012	\$ 1,172,182	119.77%	\$ (346,236)
6/30/2013	\$ 1,172,182	122.05%	\$ (604,646)
6/30/2014	\$ 1,223,955	136.39%	\$ (1,050,019)

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

SCHOOL DISTRICT OF MILTON
Notes to Financial Statements
For The Year Ended June 30, 2014

14. 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 \$77,823 and the total payments for the years ending June 30, 2013 and 2012 were \$52,276 and \$36,126, respectively.

Annual Pension Cost and Pension Obligation

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

Beginning Net Pension Obligation	\$ 796,979
Annual Required Contribution	50,425
Interest	43,834
Adjustment	(38,839)
Payments	<u>(77,823)</u>
Net Pension Obligation End of Year	<u>\$ 774,576</u>

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.

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, 2014 are not likely to have material adverse impact on the District's financial position.

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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 12,637,810	\$ 12,637,810	\$ 12,637,207	\$ (603)
Other Local Sources	662,218	662,218	619,543	(42,675)
Inter-District Sources	1,248,006	1,248,006	1,286,814	38,808
Intermediate Sources	2,346	2,346	1,441	(905)
State Sources	19,405,148	19,417,799	19,439,972	22,173
Federal Sources	413,083	418,133	446,554	28,421
Other Sources	87,300	87,300	90,197	2,897
Total Revenues	<u>34,455,911</u>	<u>34,473,612</u>	<u>34,521,728</u>	<u>48,116</u>
EXPENDITURES				
Instruction				
Regular Instruction	15,716,905	15,776,013	17,681,683	(1,905,670)
Vocational Instruction	971,431	997,778	941,975	55,803
Special Instruction	231,733	247,007	246,728	279
Other Instruction	1,687,140	1,685,670	1,714,283	(28,613)
Total Instruction	<u>18,607,209</u>	<u>18,706,468</u>	<u>20,584,669</u>	<u>(1,878,201)</u>
Support Services				
Pupil Services	674,306	666,819	739,478	(72,659)
Instructional Staff Services	1,258,558	1,245,398	1,241,269	4,129
General Administration Services	1,435,822	1,432,222	2,369,142	(936,920)
Building Administration Services	2,080,683	2,067,985	2,116,306	(48,321)
Business Services	653,016	649,898	659,656	(9,758)
Operations and Maintenance	3,371,285	3,371,078	3,408,865	(37,787)
Pupil Transportation	1,191,784	1,141,284	1,125,907	15,377
Central Services	46,300	46,300	41,057	5,243
Insurance	305,436	305,436	266,672	38,764
Principal and Interest	14,405	14,405	646,225	(631,820)
Other Support Services	1,498,434	1,504,702	102,317	1,402,385
Total Support Services	<u>12,530,029</u>	<u>12,445,527</u>	<u>12,716,894</u>	<u>(271,367)</u>
Total Expenditures	<u>31,137,238</u>	<u>31,151,995</u>	<u>33,301,563</u>	<u>(2,149,568)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,318,673</u>	<u>3,321,617</u>	<u>1,220,165</u>	<u>(2,101,452)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	110,885	110,885	110,885	-
Capital Lease Proceeds	-	-	2,301,712	2,301,712
Transfer to Special Education Fund	(3,046,311)	(3,048,276)	(2,854,558)	193,718
Transfer to Food Service Fund	(103,585)	(103,585)	-	103,585
Transfer to Package Cooperative Fund	(172,016)	(172,016)	(155,636)	16,380
Total Other Financing Sources and Uses	<u>(3,211,027)</u>	<u>(3,212,992)</u>	<u>(597,597)</u>	<u>2,615,395</u>
Net Change in Fund Balances	107,646	108,625	622,568	513,943
Fund Balances - Beginning	7,259,228	7,259,228	7,259,228	-
Fund Balances - Ending	<u>\$ 7,366,874</u>	<u>\$ 7,367,853</u>	<u>\$ 7,881,796</u>	<u>\$ 513,943</u>

**School District of Milton
Milton, Wisconsin**

**Budgetary Comparison Schedule for the
Special Education Fund - Budget and Actual
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interdistrict	\$ 11,475	\$ 11,475	\$ 8,221	\$ (3,254)
Intermediate	-	7,500	7,500	-
State	1,088,923	1,088,923	1,159,890	70,967
Federal	712,606	707,933	657,665	(50,268)
Other Sources	-	2,000	3,093	1,093
Total Revenues	<u>1,813,004</u>	<u>1,817,831</u>	<u>1,836,369</u>	<u>18,538</u>
EXPENDITURES				
Instruction				
Regular Instruction	-	4,000	3,510	490
Special Instruction	3,491,488	3,530,975	3,375,010	155,965
Total Instruction	<u>3,491,488</u>	<u>3,534,975</u>	<u>3,378,520</u>	<u>156,455</u>
Support Services				
Pupil Services	638,128	639,020	621,525	17,495
Instructional Staff Services	298,331	260,744	243,616	17,128
Business Services	10,000	10,000	6,575	3,425
Operations and Maintenance	2,000	2,000	390	1,610
Pupil Transportation	418,000	418,000	438,933	(20,933)
Other Support Services	1,368	1,368	1,368	-
Total Support Services	<u>1,367,827</u>	<u>1,331,132</u>	<u>1,312,407</u>	<u>18,725</u>
Total Expenditures	<u>4,859,315</u>	<u>4,866,107</u>	<u>4,690,927</u>	<u>175,180</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,046,311)</u>	<u>(3,048,276)</u>	<u>(2,854,558)</u>	<u>193,718</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>3,046,311</u>	<u>3,048,276</u>	<u>2,854,558</u>	<u>(193,718)</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, 2014**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 34,521,728	\$ 1,836,369
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	1,836,369	(1,836,369)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 36,358,097	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 33,301,563	\$ 4,690,927
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	4,690,927	(4,690,927)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 37,992,490	\$ -

**School District of Milton
Milton, Wisconsin**

**Schedule of Funding Progress
June 30, 2014**

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.

OTHER SUPPLEMENTAL INFORMATION

**School District of Milton
Milton, Wisconsin**

**Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets:				
Cash and Cash Equivalents	\$ 116,263	\$ 501,584	\$ 483,481	\$ 134,366
Total Assets	<u>\$ 116,263</u>	<u>\$ 501,584</u>	<u>\$ 483,481</u>	<u>\$ 134,366</u>
 Liabilities:				
Milton High School	\$ 97,416	\$ 461,980	\$ 439,058	\$ 120,338
Milton Middle School	15,069	27,272	31,799	10,542
Northside Elementary	3,778	12,332	12,624	3,486
Total Liabilities	<u>\$ 116,263</u>	<u>\$ 501,584</u>	<u>\$ 483,481</u>	<u>\$ 134,366</u>

**School District of Milton
Milton, Wisconsin**

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014**

	<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	\$ 29,950	\$ 32,968	\$ 100,600	\$ 26,141	\$ (54,398)	\$ 135,261
Due from Other Funds	-	-	242	-	-	242
Accounts receivable	-	-	15,307	-	-	15,307
Due from Other Governments	-	-	-	-	54,398	54,398
Total Assets	<u>\$ 29,950</u>	<u>\$ 32,968</u>	<u>\$ 116,149</u>	<u>\$ 26,141</u>	<u>\$ -</u>	<u>\$ 205,208</u>
LIABILITIES AND FUND BALANCES						
Fund Balances:						
Restricted	29,950	-	-	26,141	-	56,091
Assigned	-	32,968	116,149	-	-	149,117
Total Fund Balances	<u>29,950</u>	<u>32,968</u>	<u>116,149</u>	<u>26,141</u>	<u>-</u>	<u>205,208</u>
Total Liabilities and Fund Balances	<u>\$ 29,950</u>	<u>\$ 32,968</u>	<u>\$ 116,149</u>	<u>\$ 26,141</u>	<u>\$ -</u>	<u>\$ 205,208</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, 2014**

	<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	\$ 754,780	\$ -	\$ 179,254	\$ 172,318	\$ -	\$ 1,106,352
Other Local Sources	38	171	81,464	71	995	82,739
Inter-District Sources	-	-	-	-	81,957	81,957
Other Sources	-	-	-	-	659	659
Total Revenues	<u>754,818</u>	<u>171</u>	<u>260,718</u>	<u>172,389</u>	<u>83,611</u>	<u>1,271,707</u>
EXPENDITURES						
Instruction						
Special Instruction	-	-	-	-	177,629	177,629
Other Instruction	-	-	-	-	997	997
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,626</u>	<u>178,626</u>
Support Services						
Pupil Services	-	-	-	-	7,373	7,373
Building Administrative Services	-	-	3,480	-	-	3,480
Operations and Maintenance	-	-	132,317	-	52,036	184,353
Central Services	-	-	-	-	1,157	1,157
Other Support Services	-	-	-	-	55	55
Community Services	-	-	106,287	-	-	106,287
Total Support Services	<u>-</u>	<u>-</u>	<u>242,084</u>	<u>-</u>	<u>60,621</u>	<u>302,705</u>
Debt Service						
Principal	740,000	-	-	165,000	-	905,000
Interest and Fiscal Charges	17,389	-	-	8,060	-	25,449
Total Debt Service	<u>757,389</u>	<u>-</u>	<u>-</u>	<u>173,060</u>	<u>-</u>	<u>930,449</u>
Total Expenditures	<u>757,389</u>	<u>-</u>	<u>242,084</u>	<u>173,060</u>	<u>239,247</u>	<u>1,411,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,571)</u>	<u>171</u>	<u>18,634</u>	<u>(671)</u>	<u>(155,636)</u>	<u>(140,073)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	155,636	155,636
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,636</u>	<u>155,636</u>
Net Change in Fund Balances	(2,571)	171	18,634	(671)	-	15,563
Fund Balances - Beginning	32,521	32,797	97,515	26,812	-	189,645
Fund Balances - Ending	<u>\$ 29,950</u>	<u>\$ 32,968</u>	<u>\$ 116,149</u>	<u>\$ 26,141</u>	<u>\$ -</u>	<u>\$ 205,208</u>

SINGLE AUDIT

SCHOOL DISTRICT OF MILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Awarding Agency Pass-Through Agency <u>Award Description</u>	Federal Catalog <u>Number</u>	Receivable <u>July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	Receivable <u>June 30, 2014</u>
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
<u>Child Nutrition Cluster</u>					
Donated Commodities	10.555	\$ -	\$ 76,647	\$ 76,647	\$ -
Food Service Aid - Breakfast	10.553	1,351	39,359	44,790	6,782
National School Lunch Program	10.555	6,243	276,776	313,937	43,404
Total Child Nutrition Cluster		<u>7,594</u>	<u>392,782</u>	<u>435,374</u>	<u>50,186</u>
Total U.S. Department of Agriculture		<u>7,594</u>	<u>392,782</u>	<u>435,374</u>	<u>50,186</u>
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title II-A Teacher/Principal	84.367	32,356	89,950	60,922	3,328
<u>Title I-A Cluster</u>					
ESEA Title I-A Basic Grant	84.010	83,845	316,216	262,136	29,765
Total Title I-A Cluster		<u>83,845</u>	<u>316,216</u>	<u>262,136</u>	<u>29,765</u>
<u>Special Education Cluster (IDEA)</u>					
IDEA Flow Through	84.027	137,638	623,181	536,725	51,182
IDEA Preschool Entitlement	84.173	3,083	14,153	11,844	774
Seclusion & Restraint	84.027	1,564	1,564	-	-
Targeted Assistance Grant	84.027	-	7,500	7,500	-
Total Special Education Cluster (IDEA)		<u>142,285</u>	<u>646,398</u>	<u>556,069</u>	<u>51,956</u>
<u>Career and Technical Education Basic Grants</u>					
Passed through School District of Edgerton:					
Carl Perkins	84.048	-	755	3,300	2,545
Total Career and Technical Education Basic Grants		<u>-</u>	<u>755</u>	<u>3,300</u>	<u>2,545</u>
Passed through CESA 5:					
ESEA III-A English Language Acquis	84.365	2,751	4,192	1,441	-
Total U.S. Department of Education		<u>261,237</u>	<u>1,057,511</u>	<u>883,868</u>	<u>87,594</u>
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Health Services:					
Center for Disease Control - Basic	93.938	-	250	250	-
Medical Assistance Program	93.778	79,527	274,559	221,742	26,710
Total U.S. Department of Health and Human Services		<u>79,527</u>	<u>274,809</u>	<u>221,992</u>	<u>26,710</u>
Total Federal Awards		<u>\$ 348,358</u>	<u>\$ 1,725,102</u>	<u>\$ 1,541,234</u>	<u>\$ 164,490</u>

SCHOOL DISTRICT OF MILTON
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2014

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	Receivable <u>July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	Receivable <u>June 30, 2014</u>
Wisconsin Department of Public Instruction:					
Entitlement Programs:					
Special Education and School Age Parents	255.101	\$ -	\$ 1,135,074	\$ 1,135,074	\$ -
Common School Fund Library	255.103	-	160,651	160,651	-
Pupil Transportation	255.107	-	86,241	86,241	-
Equalization	255.201	347,959	18,890,257	18,881,082	338,784
Per Pupil Aid	255.945	-	258,300	258,300	-
High Cost of Special Education	255.210	-	24,816	24,816	-
Cost Reimbursement Programs:					
State School Lunch	255.102	-	13,838	13,838	-
WI School Day Milk Program	255.109	-	3,028	3,028	-
School Breakfast Program	255.344	-	4,904	4,904	-
Educator Effective Evaluation System Grant	255.940	-	19,760	19,760	-
Peer Review and Mentoring	255.301	5,026	5,026	-	-
Subtotal Wisconsin Department of Public Instruction		352,985	20,601,895	20,587,694	338,784
Passed Through District of Edgerton					
School - to - Work Partnership Youth Grant	445.107	-	245	10,601	10,356
Passed Through Rock County					
School - to - Work Partnership Youth Grant	445.107	3,315	3,315	-	-
Total State Awards		\$ 356,300	\$20,605,455	\$ 20,598,295	\$ 349,140

SCHOOL DISTRICT OF MILTON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

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

2013-2014 eligible costs under the State Special Education Program are \$4,017,175.

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 (\$76,647).



Certified Public Accountants

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

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

November 21, 2014

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, 2014, 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 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District of Milton's internal control over financial reporting 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 over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses. 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, as defined above. However, material weaknesses may exist that have not been identified.



**School District of Milton
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***

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 21, 2014

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, 2014. 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, 2014.

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, 2014**

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>
10.555, 10.553		Child Nutrition Cluster
93.778		Medical Assistance Program

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, 2014**

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
255.945	Per Pupil 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	No
Office of Justice Assistance	No

**SCHOOL DISTRICT OF MILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section IV – Other Issues (Continued)

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

4. Name and signature of partner
- 

Kevin Krynski, CPA

5. Date of report: November 21, 2014