

SCHOOL DISTRICT OF SOUTH MILWAUKEE

FINANCIAL STATEMENTS

JUNE 30, 2019

SCHOOL DISTRICT OF SOUTH MILWAUKEE

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INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of South Milwaukee
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of South Milwaukee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

School District of South Milwaukee's 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 error or fraud.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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, each major fund, and the aggregate remaining fund information of the School District of South Milwaukee as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Special Education Fund, for the year then ended in conformity 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, Schedule of Proportionate Share of the Net Pension Liability (Asset)-Wisconsin Retirement System, Schedule of Contributions-Wisconsin Retirement System, Schedule of Changes in OPEB Liability (Asset) Other Postemployment Benefits Plan, Schedule of Total OPEB Liability (Asset) as Percentage of Covered – Employee Payroll, Schedule of Investment Returns – OPEB Plan, and the notes to required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 District's basic financial statements. The financial information listed in the table of contents as supplemental financial information; and the schedules of expenditures of federal awards and state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration; are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental financial information and schedules of expenditures of federal awards and state awards are the responsibility of management and was 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 supplemental financial information and the schedules of expenditures of federal awards and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 26, 2019 on our consideration of the School District of South Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

FELD, SCHUMACHER & COMPANY, LLP

A handwritten signature in black ink that reads "Feld, Schumacher & Company, LLP". The signature is written in a cursive, flowing style.

West Allis, Wisconsin
November 26, 2019

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

The discussion and analysis of the School District of South Milwaukee's financial performance provides an overall review of financial activities for the fiscal year and focuses on the school district's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The District's total change in net position as shown in the statement of activities was an increase of \$2,478,640.
- The General Fund (Fund 10) fund balance increased \$494,951 from \$9.2 million to \$9.7 million. The fund balance is 26% of Fund 10 expenditures including transfers.
- The Debt Service Fund (Fund 30) fund balance increased \$40,570.
- The increase of \$207,486 in Other Governmental Funds was due to decreases in the Food Service Fund (\$2,161) and Community Service Fund (\$148,634); and increases in the Gift Fund \$196,349 and the Capital Projects Fund \$161,932.
- Total revenues for Governmental Funds were \$47.8 million. This amount includes \$13.3 million of local property taxes, \$29.7 million in federal and state aid and \$4.8 million in contributions, charges for services and other miscellaneous revenue. Property taxes represent 28% of all revenue. Federal and state aid represents 62% of all revenue.
- Capital assets have been reported at \$91.6 million and accumulated depreciation of \$37.4 million for a net capital asset value of \$54.2 million. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. An independent physical inventory was last conducted in June, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

1. Management's Discussion and Analysis
2. Basic Financial Statements (District-wide and Fund Statements)
3. Notes to the Financial Statements.
4. Required and Additional Supplementary Information

The basic financial statements consist of *District-Wide Financial Statements* and *Fund Statements* that present different views of the District's financial activities.

District-Wide Financial Statements

- The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2018-19 fiscal year.
- The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the district.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net position for the District from the previous year.

Fund Financial Statements

- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements and support the *Statement of Net Position*.
- *The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual* is required Supplementary Information, which further explains and supports the financial statements by including a comparison of the District's budget data for the year.
- The *Notes to the Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosure so statement users have a complete picture of the District's financial activities and position.
- *Supplementary Information* provides information specific to non major governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table (Table 1).

Table 1 - Major Features of District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Fund Statements	Proprietary Fund Statements	Fiduciary Fund Statements
Scope	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.	An activity the District operates similar to private businesses. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other groups that have funds on deposit with the District are reported here. All expendable and non-expendable scholarship funds are reported here. The District's Post Retirement Health Insurance Benefit Trust is 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 Cash Flows	Statement of Fiduciary Net Position Statement of Changes in 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 and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are 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. <u>The District's fiduciary funds do not currently contain capital assets.</u>
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 liabilities 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 and paid.

Table 2 - Condensed Statement of Net Position

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets	\$ 15,100,072	\$ 13,359,384
Non-Current Assets	54,231,723	55,211,911
Deferred Outflows of Resources	<u>13,663,628</u>	<u>16,733,689</u>
Total Assets & Deferred Outflows	<u>\$ 82,995,423</u>	<u>\$ 85,304,984</u>
<u>Liabilities</u>		
Current Liabilities	\$ 6,975,375	\$ 6,459,842
Non-Current Liabilities	36,853,716	36,105,684
Deferred Inflows of Resources	<u>7,048,303</u>	<u>13,100,069</u>
Total Liabilities & Deferred Inflows	<u>\$ 50,877,394</u>	<u>\$ 55,665,595</u>
<u>Net Position</u>		
Invested in Capital, Net of Related Debt	\$ 33,451,723	\$ 30,041,911
Restricted	2,682,916	2,293,318
Unrestricted	<u>(4,016,610)</u>	<u>(2,695,840)</u>
Total Net Position	<u>\$ 32,118,029</u>	<u>\$ 29,639,389</u>

As of June 30, 2019, the District reported total assets and deferred outflows of resources of \$83.0 million and total liabilities and deferred inflows of resources of \$50.9 million. Net Position amounts to \$32.1 million. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

**Table 3 - Change in Net Position from Operating Results
For Governmental Activities**

	<u>Actual 2018-2019</u>	<u>%</u>	<u>Actual 2017-2018</u>	<u>%</u>	
<u>Revenues:</u>					
Program	Charges for Services	\$ 1,406,138	2.9	\$ 1,488,275	3.2
	Operating Grants & Cont.	7,193,798	15.0	6,776,462	14.7
General	Property & Other Taxes	13,318,259	27.9	13,067,646	28.4
	General Aid	25,248,684	52.8	24,318,755	52.9
	Gifts	259,333	0.5	49,940	0.1
	Other	<u>393,125</u>	<u>0.8</u>	<u>312,176</u>	<u>0.7</u>
	Total Revenue	<u>\$ 47,819,337</u>	<u>100.0</u>	<u>\$ 46,013,254</u>	<u>100.0</u>

Table 3 - Change in Net Position from Operating Results
For Governmental Activities
(continued)

	<u>Actual</u> <u>2018-2019</u>	<u>%</u>	<u>Actual</u> <u>2017-2018</u>	<u>%</u>
<u>Expenses:</u>				
Instruction	\$ 25,862,723	59.3	\$ 25,328,881	57.2
Pupil/Instructional services	4,928,799	11.3	4,402,587	9.9
Administration and business	10,806,582	24.8	9,835,253	22.2
Other support	56,091	0.1	2,823,402	6.4
Interest on debt	495,047	1.1	670,723	1.5
Community service	1,456,831	3.3	1,193,466	2.7
Total Expense	<u>\$ 43,606,073</u>	<u>100.0</u>	<u>\$ 44,254,312</u>	<u>100.0</u>
Change in Net Position	<u>\$ 4,213,264</u>		<u>\$ 1,758,942</u>	

Revenues

- The District received \$47.8 million in revenue for the 2018-19 fiscal year. \$13.3 million (27.8%) of the District's total revenue came from local school property tax and prior year chargebacks. 67.8% of the total came from Grants and other federal and state aid. The District receives approximately 2.9% in the form of direct fees for services. Book and activity fees, admissions to athletic events, open-enrollment tuition, and building rental fees are included as direct fees for services. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Federal and State governments subsidized programs with grants and aid of \$32.4 million. Special Education Aid and General Equalization Aid are examples of these.

Expenses

- The District's total expenditure amount was \$43.6 million for fiscal year 2018-19. Pupil instruction and instructional services account for 70.6% of expenditures. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of pupil instruction and instructional services. Business Administration and General/Building Administration account for 24.8% of total expense. These costs include individual building budgets, district maintenance, and school business insurance. The costs associated with Debt Service and Community Services account for 1.1% and 3.3%, respectively of all District expenses.

Table 4 - Net Cost of Governmental Activities

	2019		2018	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 25,862,723	\$ 20,189,751	\$ 25,328,881	\$ 19,852,682
Pupil/Instructional services	4,928,799	4,300,429	4,402,587	3,850,831
Administration and business	10,806,582	9,104,010	9,835,253	8,168,618
Other support	56,091	53,066	2,823,402	2,823,401
Interest on debt	495,047	495,047	670,723	670,723
Community service	1,456,831	863,834	1,193,466	623,320
Total	<u>\$ 43,606,073</u>	<u>\$ 35,006,137</u>	<u>\$ 44,254,312</u>	<u>\$ 35,989,575</u>

- The total cost of all governmental activities was \$43.6 million. (Table 4)
- The net cost of governmental activities was \$35.0 million. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost of services.

General Fund Budgetary Comparison

- The District adopts an interim budget in spring for the subsequent year. Consistent with current state statutes and regulations, the original budget is amended in October to reflect the actual revenue cap and state aid certification.
- The Fund 10 final budget was approved with no change in fund balance. Actual results for 2018-19 show a surplus of \$494,951. The surplus was the result of exceeding revenue budget expectations with funding that was one-time funding most of which is not projected to continue; for example, two years of Medicaid cost settlements that were received in one fiscal year.

Fund Balances

- The District shows a total for all fund balances of \$12.2 million as of June 30, 2019. (See Note 9 in the financial statements for the detail of total governmental fund balances).
- \$9.7 million is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity.
- \$964,309 is in the Debt Service Fund (Fund 30), which is reserved for future debt payments.
- \$501,485 is in the Community Service Fund (Fund 80), which is used to fund short-term operations.
- The remaining amounts are the balance of the Food Service Fund in the amount of \$559,816, Gift Fund in the amount of \$333,316 and the Capital Projects fund of \$174,804.

Capital Asset and Debt Administration

Capital Assets

- The District hired an independent appraisal firm to perform a comprehensive physical inventory of all capital assets over \$5,000 and calculated both annual and accumulated depreciation on all applicable capital assets as of June 30, 2019. The District reported \$1.1 million in capital asset additions and \$2.0 million in depreciation expense in fiscal year 2019.

Long Term Debt

- As of June 30, 2019 the District had \$21.2 million in long-term notes, general obligation bonds, and accrued compensated absences. (Notes 4 in the Financial Statements details long-term obligations). The District made payments of \$4.5 million on its general obligation debt during the year.

Decisions that will impact the Future of the District

The 2019-21 Wisconsin biennial budget includes a \$175 revenue limit per pupil adjustment for the 2019-20 fiscal year and \$179 revenue limit per pupil adjustment for the 2020-21 fiscal year. The revenue limit per pupil adjustments fall short on allowing South Milwaukee to maintain programs and services for our students. Over the past few years South Milwaukee has been declining in enrollment which is eroding our revenue limit amount even with the increases included in the State budget. We need to advocate for a fiscally responsible way to account for enrollment changes that do not compromise programs or services for our students.

In order to maintain programs and services to students, among other items, South Milwaukee took it to the South Milwaukee voters on November 6th, 2018 and they voted (58% voted Yes) to exceed the revenue limits on a recurring basis by \$3.8 million. The total will be phased in over the next six years as follows:

2019-20: \$875,000
2020-21: \$550,000
2021-22: \$575,000
2022-23: \$300,000
2023-24: \$725,000
2024-25: \$775,000

In addition to the approved referendum we will be largely debt free by the 2023-24 school year. We are excited about the opportunities the referendum will afford our students and community over the coming years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 regarding this report or need additional financial information, please contact:

Blaise Paul, Director of Business Services
School District of South Milwaukee
901 15th Avenue
South Milwaukee, WI 53172

Phone: (414) 766-5020
Fax: (414) 766-5029

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF NET POSITION
June 30, 2019

ASSETS

Current Assets

Cash and investments	\$ 10,939,180
Taxes receivable	2,074,930
Accounts receivable	52,678
Due from other governments	1,879,394
Inventories	36,905
Prepaid expenses	116,985

Total Current Assets 15,100,072

Noncurrent Assets

Capital assets	91,591,540
Less: Accumulated depreciation	<u>(37,359,817)</u>

Net Capital Assets 54,231,723

Total Non-current Assets 54,231,723

Total Assets 69,331,795

Deferred Outflows of Resources

Deferred outflows of resources from WRS pension	13,135,713
Deferred outflows of resources from OPEB	527,915

Total Deferred Outflows of Resources 13,663,628

Total Assets and Deferred Outflows of Resources \$ 82,995,423

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 2,770,613
Current portion of long-term obligations	3,929,803
Other current liabilities	274,959

Total Current Liabilities 6,975,375

Noncurrent Liabilities

Net WRS pension liability	5,086,949
Net OPEB liability	14,533,199
Noncurrent portion of long-term obligations	17,233,568

Total Non-current Liabilities 36,853,716

Total Liabilities 43,829,091

Deferred Inflows of Resources

Deferred inflows of resources from WRS pension	7,006,585
Deferred inflows of resources from OPEB	41,718

7,048,303

Total Liabilities and Deferred Inflows of Resources 50,877,394

NET POSITION

Net investment in capital assets	33,451,723
Restricted	2,682,916
Unrestricted	(4,016,610)

Total Net Position 32,118,029

Total Liabilities, Deferred Inflows and Net Position \$ 82,995,423

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 18,123,236	\$ 216,782	\$ 3,119,046	\$ (14,787,408)
Physical	786,368	-	118,207	(668,161)
Vocational	1,338,967	28,091	229,521	(1,081,355)
Special education	4,938,922	-	1,858,758	(3,080,164)
Other	675,230	-	102,567	(572,663)
Total Instruction	<u>25,862,723</u>	<u>244,873</u>	<u>5,428,099</u>	<u>(20,189,751)</u>
Support Services				
Pupil services	1,898,440	-	175,193	(1,723,247)
Instructional support services	3,030,359	-	453,177	(2,577,182)
General administrative services	731,672	-	-	(731,672)
Building administrative services	2,181,626	-	-	(2,181,626)
Business administrative services	6,879,122	568,268	1,131,304	(5,179,550)
Central services	648,854	-	3,000	(645,854)
Insurance and judgements	365,308	-	-	(365,308)
Other support services	56,091	-	3,025	(53,066)
Interest and fees	495,047	-	-	(495,047)
Unallocated depreciation *	1,734,624	-	-	(1,734,624)
Total Support Services	<u>18,021,143</u>	<u>568,268</u>	<u>1,765,699</u>	<u>(15,687,176)</u>
Community Service	<u>1,456,831</u>	<u>592,997</u>	<u>-</u>	<u>(863,834)</u>
Total Activities	<u>\$ 45,340,697</u>	<u>\$ 1,406,138</u>	<u>\$ 7,193,798</u>	<u>(36,740,761)</u>
General Revenues				
Taxes				
Property taxes				
General purposes				7,724,836
Debt service				4,854,633
Community Service				738,790
Federal and State aids not restricted to specific functions				25,248,684
Gifts				259,333
Investment income				192,230
Miscellaneous				203,895
Total General Revenues				<u>39,222,401</u>
Other Revenue (Expenses)				
Gain on sale of capital assets				<u>(3,000)</u>
Change in Net Position				<u>2,478,640</u>
Net Position, beginning of year				<u>29,639,389</u>
NET POSITION, end of year				<u>\$ 32,118,029</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,327,892	\$ 964,309	\$ 1,646,978	\$ 10,939,179
Taxes receivable	2,074,930	-	-	2,074,930
Accounts receivable	30,486	-	22,192	52,678
Due from other governments	1,693,804	-	185,590	1,879,394
Inventories	36,905	-	-	36,905
Prepaid expenses	112,281	-	4,704	116,985
	Total Assets	\$ 964,309	\$ 1,859,464	\$ 15,100,071
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 575,892	\$ -	\$ 99,483	\$ 675,375
Accrued salaries and wages	478,912	-	52,784	531,696
Unearned revenue	1,844	-	137,776	139,620
Other current liabilities	1,563,542	-	-	1,563,542
	Total Liabilities	-	290,043	2,910,233
Fund Balances				
Nonspendable	149,186	-	4,704	153,890
Restricted	-	964,309	1,564,717	2,529,026
Committed	688,221	-	-	688,221
Unassigned	8,818,701	-	-	8,818,701
	Total Fund Balances	964,309	1,569,421	12,189,838
	Total Liabilities and Fund Balances	\$ 964,309	\$ 1,859,464	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,231,723
The District's proportionate share net pension and OPEB assets(liabilities) as well as pension and OPEB related deferred outflows and deferred inflows of resources are recognized in the government-wide statements.	(13,004,823)
Long term liabilities, including bonds and notes payable and related accrued interest and deferred premium, are not due and payable in the current period and therefore are not reported in the funds.	(21,298,709)
Net Position of Governmental Activities	\$ 32,118,029

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local	\$ 8,173,807	\$ 4,879,728	\$ 2,163,334	\$ 15,216,869
Interdistrict	2,774,575	-	103,305	2,877,880
Intermediate	1,669	-	-	1,669
State	26,647,621	-	64,099	26,711,720
Federal	1,773,928	-	1,182,260	2,956,188
Other	57,716	-	293	58,009
Total Revenues	39,429,316	4,879,728	3,513,291	47,822,335
Expenditures				
Instruction				
Regular	14,920,685	-	20,670	14,941,355
Physical	743,285	-	-	743,285
Special education	4,497,909	-	-	4,497,909
Vocational	1,244,343	-	27,861	1,272,204
Other	636,534	-	1,504	638,038
Total Instruction	22,042,756	-	50,035	22,092,791
Support Services				
Pupil services	1,801,402	-	3,851	1,805,253
Instructional support services	2,832,267	-	78,000	2,910,267
General administrative services	708,371	-	82,280	790,651
Building administrative services	2,086,269	-	-	2,086,269
Business administrative services	5,405,501	-	1,790,510	7,196,011
Central services	604,190	-	21,025	625,215
Insurance and judgements	365,308	-	-	365,308
Other support services	73,252	-	-	73,252
Debt service				
Principal	-	4,390,000	-	4,390,000
Interest and fees	-	629,158	-	629,158
Total Support Services	13,876,560	5,019,158	1,975,666	20,871,384
Community Services	-	-	1,403,940	1,403,940
Non-Program				
General tuition payments	2,670,739	-	36,164	2,706,903
Other non-program services	4,310	-	-	4,310
Total Non-Program	2,675,049	-	36,164	2,711,213
Total Expenditures	38,594,365	5,019,158	3,465,805	47,079,328
Excess (deficiency) of revenue over expenditures	834,951	(139,430)	47,486	743,007
Other Financing Sources (Uses)				
Transfers (to) from other funds	(340,000)	180,000	160,000	-
Net Change in Fund Balances	494,951	40,570	207,486	743,007
Fund Balances, beginning of year	9,161,157	923,739	1,361,935	11,446,831
FUND BALANCES, end of year	\$ 9,656,108	\$ 964,309	\$ 1,569,421	\$ 12,189,838

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 743,007

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	\$ 1,069,928	
Depreciation expense reported in the Statement of Activities	(2,047,116)	
Gain (loss) on disposal of fixed assets	<u>(3,000)</u>	(980,188)

Net difference between OPEB and pension system contributions recognized in the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities. (1,825,452)

Capital lease and long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of capital lease and long-term debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded payments 4,390,000

Premiums in association with debt financing are deferred and amortized in the government-wide statements but recognized as revenue in the fund statements when received. 112,161

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 39,112

Change in Net Position **\$ 2,478,640**

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Local	\$ 7,646,877	\$ 8,053,395	\$ 8,173,807	\$ 120,412
Interdistrict	2,500,000	2,500,000	2,774,575	274,575
State	25,223,033	25,286,224	25,358,466	72,242
Federal	626,771	855,475	901,043	45,568
Other	75,000	75,000	57,716	(17,284)
Total Revenues	<u>36,071,681</u>	<u>36,770,094</u>	<u>37,265,607</u>	<u>495,513</u>
Expenditures				
Instruction				
Regular	14,970,831	15,051,836	14,823,611	228,225
Physical	788,968	788,968	743,285	45,683
Vocational	1,308,551	1,296,551	1,243,033	53,518
Other	630,786	638,786	636,534	2,252
Total Instruction	<u>17,699,136</u>	<u>17,776,141</u>	<u>17,446,463</u>	<u>329,678</u>
Support Services				
Pupil services	1,057,202	1,070,975	1,042,322	28,653
Instructional support services	2,346,139	2,480,780	2,605,025	(124,245)
General administrative services	737,347	737,347	708,371	28,976
Building administrative services	2,085,394	2,085,394	2,086,269	(875)
Business administrative services	4,695,755	4,890,299	5,281,151	(390,852)
Central services	678,194	685,875	604,190	81,685
Insurance and Judgements	368,100	368,100	365,308	2,792
Other support services	2,300	3,300	63,452	(60,152)
Debt service	10,000	10,000	-	10,000
Total Support Services	<u>11,980,431</u>	<u>12,332,070</u>	<u>12,756,088</u>	<u>(424,018)</u>
Non-Program				
General tuition payments	2,144,000	2,400,172	2,483,416	(83,244)
Other non-program services	70,202	70,202	4,310	65,892
Total Non-Program	<u>2,214,202</u>	<u>2,470,374</u>	<u>2,487,726</u>	<u>(17,352)</u>
Total Expenditures	<u>31,893,769</u>	<u>32,578,585</u>	<u>32,690,277</u>	<u>(111,692)</u>
Excess of revenues over expenditures	4,177,912	4,191,509	4,575,330	383,821
Other Financing Sources (Uses)				
Transfers to other funds	(4,177,912)	(4,191,509)	(4,080,379)	111,130
Net Change in Fund Balances	-	-	494,951	494,951
Fund Balances, beginning of year	9,161,157	9,161,157	9,161,157	-
FUND BALANCES, end of year	<u>\$ 9,161,157</u>	<u>\$ 9,161,157</u>	<u>\$ 9,656,108</u>	<u>\$ 494,951</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Intermediate	\$ -	\$ -	\$ 1,669	\$ 1,669
State	1,190,000	1,190,000	1,289,155	99,155
Federal	767,045	857,995	872,885	14,890
Total Revenues	<u>1,957,045</u>	<u>2,047,995</u>	<u>2,163,709</u>	<u>115,714</u>
Expenditures				
Instruction				
Regular	96,008	96,008	97,074	(1,066)
Special education	4,573,706	4,592,706	4,497,909	94,797
Vocational	-	-	1,310	(1,310)
Total Instruction	<u>4,669,714</u>	<u>4,688,714</u>	<u>4,596,293</u>	<u>92,421</u>
Support Services				
Pupil services	752,866	776,313	759,080	17,233
Instructional support services	223,377	241,477	227,242	14,235
Business administrative services	155,000	155,000	124,350	30,650
Central services	-	10,000	-	10,000
Other support services	10,000	-	9,800	(9,800)
Total Support Services	<u>1,141,243</u>	<u>1,182,790</u>	<u>1,120,472</u>	<u>62,318</u>
Non-Program				
General tuition payments	144,000	188,000	187,323	677
Total Non-Program	<u>144,000</u>	<u>188,000</u>	<u>187,323</u>	<u>677</u>
Total Expenditures	<u>5,954,957</u>	<u>6,059,504</u>	<u>5,904,088</u>	<u>155,416</u>
Deficiency of revenues over expenditures	(3,997,912)	(4,011,509)	(3,740,379)	271,130
Other Financing Uses				
Transfers from other funds	3,997,912	4,011,509	3,740,379	(271,130)
Net Change in Fund Balances	-	-	-	-
Fund Balances, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019**

	Employee Benefit Trust Fund	Scholarship Trust Fund	Agency
ASSETS			
Cash and investments	\$ 378,632	\$ 504,788	\$ 100,594
Total Assets	\$ 378,632	\$ 504,788	\$ 100,594
LIABILITIES			
Due to student groups	\$ -	\$ -	\$ 100,594
Total Liabilities	-	-	100,594
NET POSITION			
Restricted for postemployment benefits other than pensions	378,632	-	-
Restricted for scholarships	-	504,788	-
Total Net Position	378,632	504,788	-
Total Liabilities and Net Position	\$ 378,632	\$ 504,788	\$ 100,594

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2019

	Employee Benefit Trust Fund	Scholarship Trust Fund
	<u> </u>	<u> </u>
ADDITIONS		
Contributions		
Employer	\$ 999,911	\$ -
Plan members	200,957	-
Donations	-	13,803
Investment income		
Net increase in fair market value of investments	57,129	-
Interest	10,112	11,173
	<u> </u>	<u> </u>
Total Additions	1,268,109	24,976
DEDUCTIONS		
Other expenses	2,287	-
Postemployment benefits	1,429,844	-
Scholarships	-	16,300
	<u> </u>	<u> </u>
Total Deductions	1,432,131	16,300
Change in Net Position	(164,022)	8,676
Net position - beginning	<u>542,654</u>	<u>496,112</u>
Net position - ending	<u><u>\$ 378,632</u></u>	<u><u>\$ 504,788</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of South Milwaukee conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

The School District of South Milwaukee is organized as a common school district. The District, governed by an elected school board, operates grades K through 12 and is comprised of one taxing district. This report includes all of the funds of the School District of South Milwaukee. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. BASIS OF PRESENTATION

District-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Internally dedicated resources are reported as general revenues rather than as program revenues.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

B. BASIS OF PRESENTATION (continued)

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental funds are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Activities

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines:

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds

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

Permanent Funds

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

B. BASIS OF PRESENTATION (continued)

Fiduciary Funds (Not Included in District-Wide Statements)

Private-Purpose Trust Funds

Private-purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

Employee Benefit Trust Funds

Employee Benefit Trust Funds are used to account for resources legally held in trust for the District's post retirement health insurance benefits.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The District reports the following major governmental funds:

General Fund
Debt Service Fund

Non Major Funds

The District reports the following non major funds:

Food Service Fund
Gift Fund
Community Services Fund
Vocational Education Fund
Youth Apprenticeship Fund
SWSA/SSLC Fund
Capital Projects Fund

Fiduciary Funds

The District reports the following fiduciary funds:

Private Purpose Trust Funds -
Scholarship Fund

Agency Funds -
Student Activity Fund

Employee Benefit Trust Funds -
Post Retirement Health Trust Fund

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

C. BASIS OF ACCOUNTING

The district-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenues in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1 the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by the City of South Milwaukee until July 31. Real estate tax collections after that date are made by South Milwaukee, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for school purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to the local taxing district for collection. Property taxes attach as an enforceable lien as of January 1.

Property tax calendar - 2018 tax roll:

Lien date and levy date	October, 2018
Tax bills mailed	December, 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	March 31, 2019
Third installment due	May 31, 2019
Personal property taxes in full	January 31, 2019

State general and categorical aids and other entitlements are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred inflows. Amounts received prior to the entitlement period are also recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and investment income.

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

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

C. BASIS OF ACCOUNTING (continued)

For governmental fund financial statements, deferred inflows arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows is removed from the combined balance sheet and revenue is recognized.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. MEASUREMENT FOCUS

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide and enterprise fund financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

E. INVENTORIES

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

F. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest are reported as expenditures.

In governmental funds, debt issuance premiums received are recognized in the current period. For the district-wide financial statements, these amounts are amortized over the life of the debt issue. At June 30, 2019 the District reported \$343,914 of unamortized premium.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

G. CAPITAL ASSETS

District-Wide Statements

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The District uses a minimum capitalization limit of \$5,000.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site Improvements	20 years
Buildings	45 years
Furniture and equipment	5-20 years
Computer and related technology	5 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. BUDGETS

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by School Board resolution. Appropriations lapse at year-end unless specifically carried over. There were no carryovers to the following year. Budgetary expenditure control is exercised at the function level in the General Fund and at the fund level for all other funds.

J. ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

K. PENSIONS

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

L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

The District's policy allows certain employees to earn varying amounts of vacation pay each year depending on the total number of years employed. In some instances, the District allows carryover of these benefits. Upon retirement or termination of employment, the employee is entitled to payment in cash.

The District's policy allows certain employees to earn varying amounts of sick pay for each year employed. Upon retirement, employees are entitled to receive payment for their accumulated benefits as specified by contracts.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of Net Position.

The District also allows early retirement elections. Under this program health insurance benefits are paid in future fiscal years. (See Note 6).

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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.

N. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

P. EQUITY CLASSIFICATIONS

District-Wide Statements

Equity is classified as Net Position and displayed in three components:

- a. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted - Consists of net position with constraints placed on use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the practice of the District to spend restricted amounts first followed by unrestricted amounts when expenditures are incurred for purposes for which amounts in any of the net position classifications could be used.

Fund Statements

Governmental fund equity is classified as fund balance and is reported in the following categories:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board (the District's highest level of decision-making authority).
- d. Assigned - Amounts that are intended to be used for a particular purpose expressed by the School Board or other authorized committee or individual.
- e. Unassigned - All amounts not included in other spendable classifications.

It is the practice of the District to spend restricted amounts before unrestricted and committed amounts first followed by assigned then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the fund balance classifications could be used.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Minimum fund Balance Policy

The District does not have a minimum fund balance policy but recognizes the need to maintain adequate unassigned fund balance as a safeguard.

Note 2 - Cash and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 per depositor at each financial institution. Bank accounts and the local government investment pool are also insured by the state Deposit Guarantee Fund in the amount of \$400,000. However, 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 organizations. This coverage has not been considered. At June 30, 2019, the District's uninsured deposits were \$13,204,564.

Bank deposits are subject to *custodial credit risk*. *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned.

Fluctuating cash flows during the year due to tax collection, receipt of state aid and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Investment of District funds is restricted by state statutes. Available deposits and investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

At June 30, 2019 the school had the following investments:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 months</u>	<u>6 - 24 Months</u>
CESA 6 Wisconsin OPEB Trust	Fair Value - Level 2	\$ 425,541	\$ 425,541	\$ -
Wisconsin Investment Series Cooperative Investment Series	Amortized Cost	113,256	113,256	-
Local Government Investment Pool	Amortized Cost	<u>10,682,890</u>	<u>10,682,890</u>	-
		<u>\$ 11,221,687</u>	<u>\$ 11,221,687</u>	<u>\$ -</u>

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2 - Cash and Investments (continued)

PMA Financial Network is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network. The WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. The WISC values its invested funds using various fair value measurements as applicable, depending on the type of investment as shown in the table above. Measurement methods include cost, amortized cost and fair value hierarchy – level two.

Investments in the Local Government Investment Pool (LGIP) are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund Insurance. The District is exposed to market risk through its investment in the LGIP. The district's invested funds in the LGIP are valued at amortized cost.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. *Credit risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For investments, *interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to greater risk.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
Capital assets not being depreciated				
Sites	\$ 2,343,180	\$ -	\$ -	\$ 2,343,180
Total Capital Assets Not Being Depreciated	<u>2,343,180</u>	<u>-</u>	<u>-</u>	<u>2,343,180</u>
Capital assets being depreciated				
Buildings and Improvements	80,440,377	615,924	-	81,056,301
Equipment and Machinery	<u>7,930,665</u>	<u>454,004</u>	<u>(192,610)</u>	<u>8,192,059</u>
Total Capital Assets Being Depreciated	<u>88,371,042</u>	<u>1,069,928</u>	<u>(192,610)</u>	<u>89,248,360</u>
Total Capital Assets	<u>90,714,222</u>	<u>1,069,928</u>	<u>(192,610)</u>	<u>91,591,540</u>
Less Accumulated Depreciation	<u>35,502,311</u>	<u>2,047,116</u>	<u>(189,610)</u>	<u>37,359,817</u>
Net Capital Assets	<u>\$ 55,211,911</u>	<u>\$ (977,188)</u>	<u>\$ (3,000)</u>	<u>\$ 54,231,723</u>

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3 - Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Instruction		
Regular	\$	92,212
Support services		
General administration services		201,046
Business administration services		19,234
Unallocated/general		<u>1,734,624</u>
Total Depreciation Expense	\$	<u>2,047,116</u>

Note 4 - Long-Term Obligations

A. Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Bonds and Notes Payable					
Notes payable	\$ 7,105,000	\$ -	\$ -	\$ 7,105,000	\$ -
Bonds payable	18,065,000	-	4,390,000	13,675,000	3,795,000
Plus refunding premium	456,075	-	112,161	343,914	95,346
Total Bond and Notes Payable	<u>25,626,075</u>	<u>-</u>	<u>4,502,161</u>	<u>21,123,914</u>	<u>3,890,346</u>
Other Liabilities					
Accrued compensated absences - vacation	<u>56,618</u>	<u>233,373</u>	<u>250,534</u>	<u>39,457</u>	<u>39,457</u>
Total Long-term Liabilities	<u>\$ 25,682,693</u>	<u>\$ 233,373</u>	<u>\$ 4,752,695</u>	<u>\$ 21,163,371</u>	<u>\$ 3,929,803</u>

Interest paid and expensed on long-term general obligation debt was \$629,158 and \$495,047 respectively, for the year ended June 30, 2019.

B. All general obligation debt is backed by the full faith and credit of the District and will be retired by future property tax levies and transfers from the general fund.

Type	Issue	Maturity	Rate	Original Indebtedness	Balance Outstanding 6/30/2019
General Obligation Debt					
Bonds	6/8/2004	10/1/2022	2.0% - 4.0%	22,360,000	\$ 10,505,000
Bonds	9/5/2012	10/1/2026	0.50% - 3.2%	4,595,000	3,170,000
Promissory Note	4/1/2014	10/1/2024	2.50%	7,105,000	<u>7,105,000</u>
Total General Obligation Debt					<u>\$ 20,780,000</u>

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4 - Long-Term Obligations (continued)

B. Debt service requirements to maturity on general obligation debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,795,000	\$ 541,358	\$ 4,336,358
2021	3,915,000	397,258	4,312,258
2022	4,005,000	318,158	4,323,158
2023	3,960,000	236,145	4,196,145
2024	4,070,000	136,020	4,206,020
Thereafter	<u>1,035,000</u>	<u>49,490</u>	<u>1,084,490</u>
Totals	<u><u>\$ 20,780,000</u></u>	<u><u>\$ 1,678,429</u></u>	<u><u>\$ 22,458,429</u></u>

D. The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,173,649,500. The legal debt limit and margin of indebtedness as of June 30, 2019 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,173,649,500)	\$ 117,364,950
Deduct: Long-term debt applicable to debt margin	<u>20,780,000</u>
Margin of indebtedness	<u><u>\$ 96,584,950</u></u>

Note 5 - WRS Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

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

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5 - WRS Pension Plan (continued)

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,443,839 in contributions from the employer.

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 5 - WRS Pension Plan (continued)

Contribution rates as of June 30, 2019 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the School District of South Milwaukee reported a liability (asset) of \$5,086,949 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The School District of South Milwaukee's proportion of the net pension liability (asset) was based on the School District of South Milwaukee's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the School District of South Milwaukee's proportion was .1430%, which was a decrease of .0017% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School District of South Milwaukee recognized pension expense of \$3,462,478.

At June 30, 2019, the School District of South Milwaukee reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,961,962	\$ 7,003,326
Net differences between projected and actual earnings on pension plan investments	7,429,141	-
Changes of Actuarial Assumptions	857,473	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,728	3,259
Employer contributions subsequent to the measurement date	863,409	-
Total	\$13,135,713	\$7,006,585

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5 - WRS Pension Plan (continued)

\$863,409 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Net Deferred Outflow (Inflows) of Resources
2019	\$1,908,826
2020	487,003
2021	834,581
2022	2,035,309
Thereafter	-

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

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

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 5 - WRS Pension Plan (continued)

Asset Allocation Targets and Expected Returns			
As of December 31, 2018			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

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

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 5 - WRS Pension Plan (continued)

Sensitivity of the School District of South Milwaukee's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the School District of South Milwaukee's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the School District of South Milwaukee's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
School District of South Milwaukee's proportionate share of the net pension liability (asset)	\$20,216,071	\$5,086,949	(\$6,162,725)

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

Note 6 – Other Postemployment Benefits

Plan Description. The District operates a post-employment benefit trust, single-employer retiree benefit plan that provides postemployment medical insurance benefits to eligible employees and their spouses.

Plan Membership. There are 291 active and 110 retired members in the plan as of June 30, 2018, the most recent actuarial valuation date. Benefits and eligibility are established and amended by the governing body.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the School District of South Milwaukee reported a liability of \$14,533,199 for its net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

Funding Policy. The District has \$378,228 of invested plan assets accumulated for payment of future benefits. For the year ended June 30, 2019, the District contributed \$999,911 to the Trust. Plan member contributions were \$200,553.

Investment Policy. Investment management of the Trust assets shall be in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Domestic Equity	10%	40%	30%
International Equity	0%	10%	0%
Inflation Sensitive	0%	10%	0%
High Yield Bonds	0%	20%	10%
Fixed Income IG			
Bonds	40%	75%	55%
Cash Equivalents	0%	30%	5%

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 6 – Other Postemployment Benefits (continued)

At June 30, 2019, the School District of South Milwaukee reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,971	\$ 21,380
Changes in assumptions	497,944	-
Net difference between projected and actual earnings on OPEB plan investments	-	20,338
Total	\$527,915	\$41,718

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 344,721
2021	154,779
2022	(5,194)
2023	(5,194)
2024	(1,719)
Thereafter	(1,196)

For the year ended June 30, 2019, the School District of South Milwaukee recognized OPEB expense of \$806,724. The OPEB expense is made up of certain changes in the total OPEB liability and amortization of the net deferred outflows (inflows) of resources.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	July 1, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Discount Rate:	3.0% (20 year AA rated municipal bond rate)
Mortality:	WRS 2009-2011 Experience Study for Public School Employees
Annual Termination Rates:	WRS 2009-11 Experience Study for Public School Employees
Disability Rates:	WRS 2009-11 Experience Study for Public School Employees
New Employees:	None
Annual Rates of Retirement	WRS 2009-11 Experience Study for Public School Employees
Salary Increases:	3.0% per year
Administrative Expenses:	Included in claim cost
Assumed Rate of Return on Plan Assets:	3.0%

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6 – Other Postemployment Benefits (continued)

Sensitivity of the School District of South Milwaukee’s net OPEB liability (asset) to changes in the discount rate. The following presents the District’s net OPEB liability (asset) calculated using the discount rate of 3.0%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net OPEB liability (asset)	\$15,098,712	\$14,533,199	\$13,981,620

Sensitivity of the School District of South Milwaukee’s net OPEB liability (asset) to changes in the healthcare cost trend rates. The following presents the District’s net OPEB liability (asset) calculated using the healthcare cost trend rate of 7.0% decreasing to 5.0%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0% decreasing to 4.0%) or 1-percentage-point higher (8.0% decreasing to 6.0%) than the current rate.

	1% Decrease to Trend Rates (6% decreasing to 4%)	Current Trend Rates (7% decreasing to 5%)	1% Increase to Trend Rates (8% decreasing to 6%)
Net OPEB liability (asset)	\$14,497,362	\$14,533,199	\$14,569,799

Note 7 – Lease Agreement, as Lessee

The District has entered into a lease agreement for copiers with terms expiring in January, 2023. The District is obligated to make future minimum lease payments as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 11,240
2021	11,240
2022	11,240
2023	<u>11,240</u>
	<u>\$ 44,960</u>

Lease expense was \$5,620 for the year ended June 30, 2019.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8- Governmental Activities Net Position

Governmental activities Net Position reported on the Government Wide Statement of Net Position at June 30, 2019 includes the following:

Governmental Activities	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 54,231,723
Less: related long-term debt outstanding	<u>(20,780,000)</u>
Total Net Investment in Capital Assets	33,451,723
Restricted	2,682,916
Unrestricted	<u>(4,016,610)</u>
Total Governmental Activities Net Position	<u><u>\$ 32,118,029</u></u>

Note 9 - Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2019 include the following:

Nonspendable	
Inventories and prepaid expenses:	
General Fund	\$ 149,186
Community Service	<u>4,704</u>
Total Nonspendable Fund Balance	<u>153,890</u>
Restricted	
Capital Projects	174,804
Gift	333,316
Food Service	559,816
Community Service	496,781
Debt Service	<u>964,309</u>
Total Restricted Fund Balance	<u>2,529,026</u>
Committed	
General fund - Infrastructure	<u>688,221</u>
Unassigned	<u>8,818,701</u>
Total Governmental Fund Balances	<u><u>\$ 12,189,838</u></u>

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10 - Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	<u>\$ 54,231,723</u>
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The District's proportionate share of pension and OPEB liabilities (assets) and related deferred outflows and deferred inflows of resources that are recognized in the government-wide statements include:

Net WRS pension liability	\$ (5,086,949)
Net OPEB liability	(14,533,199)
Deferred outflows of resources from WRS pension	13,135,713
Deferred outflows of resources from OPEB	527,915
Deferred inflows of resources from WRS pension	(7,006,585)
Deferred inflows of resources from OPEB	<u>(41,718)</u>
Combined Adjustment	<u><u>\$ (13,004,823)</u></u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

General obligation bonds and notes payable	\$ (20,780,000)
Net deferred debt premium	(343,914)
Accrued compensated absences	(39,457)
Accrued interest on long-term obligations	<u>(135,338)</u>
Combined Adjustment	<u><u>\$ (21,298,709)</u></u>

Note 11 - Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

Capital related difference includes (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities. This adjustment is a combination of the following items:

Capital expenditures	\$ 1,069,928
Depreciation expense	(2,047,116)
Loss on disposal of fixed assets	<u>(3,000)</u>
Combined Adjustment	<u><u>\$ (980,188)</u></u>

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11 - Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities (continued)

Differences between OPEB and pension system contributions recognized occur because pension and OPEB expenses in the statement of activities is adjusted to account for the net pension/OPEB asset (liability), deferred outflows and deferred inflows of resources. The adjustment is a combination of the following items:

Employer WRS Contributions	\$ 1,443,839
WRS pension expense adjustment	(3,462,478)
OPEB benefits paid	999,911
OPEB expense adjustment	<u>(806,724)</u>
Combined Adjustment	<u>\$ (1,825,452)</u>

Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenues and principal payments are recorded as expenditures in the governmental fund statements. In the Statement of Activities, long-term debt proceeds are recorded as a liability and principal payments are recorded as a reduction of liabilities. This adjustment is as follows:

Principal payments on long-term debt and capital leases	<u>\$ 4,390,000</u>
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Premiums in association with debt refinancing are deferred and amortized in the government-wide statements, but recognized as revenue in the fund statements. The adjustment is as follows:

Amortization of debt premium	<u>\$ 112,161</u>
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported when the liability is incurred. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Compensated absences	\$ 17,161
Accrued interest	<u>21,951</u>
Combined Adjustment	<u>\$ 39,112</u>

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13 - Commitments and Contingencies

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The School District of South Milwaukee, as described in Note 6, has agreed to provide "other post-employment benefits" (OPEB) to employees who have terminated their employment with the District and have satisfied specified eligibility standards. This activity is accounted for in the CESA 6 WI OPEB Trust (the Trust). The District's funding obligation for OPEB costs is to pay current expenses as they become due. There is no legal or accounting requirement that the District pay, in any year, an amount in excess of current benefits.

Note 14 - Limitation of School District Revenues

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aid and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature.

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.

Note 15 - Excess Expenditures Over Appropriations

The following individual fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2019.

<u>Fund - Function</u>	<u>Excess Expenditures</u>
General Fund	
Instructional support services	\$ 124,245
Building administrative services	\$ 875
Business administrative services	\$ 390,852
Other support services	\$ 60,152
General tuition payments	\$ 83,244
Special Education Fund	
Regular instruction	\$ 1,066
Vocational instruction	\$ 1,310
Other support services	\$ 9,800

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 16 - Interfund Activity

Interfund receivable and payable balance on June 30, 2019 were \$0. The following is a schedule of interfund transfers.

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Capital Projects	General fund	\$ 160,000
Debt Service	General Fund	<u>180,000</u>
Total - Fund Financial Statements		340,000
Less: Eliminations		<u>(340,000)</u>
Total Transfers - Government-Wide Statement of Activities		<u>\$ -</u>

Generally, transfers are used to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

Note 17 - Self-Funded Insurance Program

The District provides self-funded health benefits for its employees. An administrator is responsible for the approval, processing and payment of claims, after which the District is billed for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30.

The Plan is registered with the Wisconsin Office of the Commissioner of Insurance as an employee welfare plan. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The program is accounted for in the general fund of the district.

As part of the medical care coverage of the Plan, the District purchased specific stop-loss insurance for claims in excess of \$100,000 per individual. The District's aggregate stop-loss coverage for medical is \$7,057,162. The District has no stop-loss insurance for the Plan's dental or vision care coverage.

At June 30, 2019, the District has reported a liability of \$1,428,244, which represents reported and unreported medical claims, which were incurred on or before June 30, 2019, but were not paid by the district as of that date.

Changes for this liability amount for the years ended June 30, 2019 and 2018 were as follows:

<u>Year</u>	<u>Balance Beginning of Year</u>	<u>Current Changes</u>	<u>Claim Payments</u>	<u>Balance End of Year</u>
2019	\$ 977,864	\$ 6,294,854	\$ 5,844,494	\$ 1,428,224
2018	\$ 928,891	\$ 6,438,934	\$ 6,389,961	\$ 977,864

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18 - Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through November 26 , 2019, the date the financial statements were available to be distributed.

Note 19 - Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

The GASB issued Statement No. 84 *Fiduciary Activities* in January 2017. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2018.

The GASB issued Statement No. 87 Leases in June 2017. This statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2019.

The GASB issued Statement No. 90, Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of the related statement are effective for financial statement periods beginning after December 15, 2018.

The GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of the related statement are effective for financial statement periods beginning after December 15, 2020.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTAL INFORMATION

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years* (which may be built prospectively)**

	2019	2018	2017	2016	2015
School District of South Milwaukee's proportion of the net pension liability (asset)	.1430%	.1447%	.1458%	.1471%	.1484%
School District of South Milwaukee's proportionate share of the net pension liability (asset)	\$5,086,949	(\$4,294,899)	\$1,201,481	\$2,390,242	(\$3,644,976)
School District of South Milwaukee's covered-employee payroll	\$21,420,202	\$21,280,532	\$20,809,042	\$20,589,535	\$20,601,595
School District of South Milwaukee's proportionate share of the net pension liability (asset) as a percentage of the covered-employee payroll	23.75%	(20.18%)	5.77%	11.61%	17.69%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.45%	102.93%	99.12%	98.2%	102.74%

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

(See Note 5 and Notes to Required Supplementary Information)

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years* (which may be built prospectively)**

	2019	2018	2017	2016	2015
Contractually required contributions	\$1,443,839	\$1,454,146	\$1,382,919	\$1,401,235	\$1,442,992
Contributions in relation to the contractually required contributions	\$1,443,839	\$1,454,146	\$1,382,919	\$1,401,235	\$1,442,992
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District of South Milwaukee's covered-employee payroll	\$21,420,202	\$21,280,532	\$20,809,042	\$20,589,535	\$20,601,595
Contributions as a percentage of covered-employee payroll	6.74%	6.83%	6.65%	6.81%	7.00%

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

(See Note 5 Notes to Required Supplementary Information)

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY (ASSET)
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>			
Total OPEB liability - beginning	<u>\$ 15,355,645</u>	<u>\$ 15,109,095</u>	<u>\$ 15,218,828</u>
Changes for the year:			
Service Cost	505,195	486,417	454,261
Interest	439,291	572,837	597,736
Benefit payments	(1,388,704)	(1,406,670)	(1,157,512)
Differences between expected and actual experience	-	59,942	(26,883)
Changes of assumptions or other input	-	534,024	22,665
Net Changes	<u>(444,218)</u>	<u>246,550</u>	<u>(109,733)</u>
Total OPEB liability - ending (a)	<u>\$ 14,911,427</u>	<u>\$ 15,355,645</u>	<u>\$ 15,109,095</u>
<u>Fiduciary Net Position</u>			
Fiduciary net position - beginning	<u>\$ 542,654</u>	<u>\$ 538,129</u>	<u>\$ 346,484</u>
Changes for the year:			
Contributions - Employer	1,200,464	1,393,817	1,335,770
Net Investment Income	23,814	17,378	13,387
Benefit payments	(1,388,704)	(1,406,670)	(1,157,512)
Net Changes	<u>(164,426)</u>	<u>4,525</u>	<u>191,645</u>
Fiduciary net position - ending (b)	<u>\$ 378,228</u>	<u>\$ 542,654</u>	<u>\$ 538,129</u>
<u>Net OPEB Liability</u>			
Net OPEB liability - ending (a) - (b)	<u>\$ 14,533,199</u>	<u>\$ 14,812,991</u>	<u>\$ 14,570,966</u>

(See Note 6 and Notes to Required Supplementary Information)

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL OPEB LIABILITY (ASSET) AS PERCENTAGE OF
COVERED-EMPLOYEE PAYROLL
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net OPEB liability (asset)	\$ 14,533,199	\$ 14,812,991	\$ 14,570,966
Covered-employee payroll	\$ 20,153,040	\$ 19,928,935	\$ 19,163,699
Total OPEB liability (asset) as a percentage of the covered-employee payroll	72.11%	74.33%	76.03%

(See Note 6 and Notes to Required Supplementary Information)

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)**

<u>Year Ending June 30</u>	<u>Rate of Return</u>
2019	5.9%
2018	3.2%
2017	2.5%

(See Note 6 and Notes to Required Supplementary Information)

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2019

Note 1 – Wisconsin Retirement System (WRS) Pension Data

The data presented in the Schedule of Proportionate Share of Net Pension Liability (Asset) and the Schedule of Contributions is derived from data provided by the Wisconsin Department of Employee Trust Funds.

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

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

Note 2 – Other Postemployment Benefit Plan

Changes of benefit terms. There have been no substantive plan changes since the prior valuation.

Changes of assumptions. Assumptions are consistent with those used in the prior valuation.

SUPPLEMENTAL FINANCIAL INFORMATION

SCHOOL DISTRICT OF SOUTH MILWAUKEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Gift Fund	Food Service	Capital Projects Fund	Community Service	Vocational Education Fund	Youth Apprenticeship Fund	SWSA/ SSLC Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and investments	\$ 335,817	\$ 548,707	\$ 174,804	\$ 639,493	\$ (51,097)	\$ (30,000)	\$ 29,254	\$ 1,646,978
Accounts receivable	-	9,459	-	12,733	-	-	-	22,192
Due from other governments	-	43,565	-	-	106,025	36,000	-	185,590
Prepaid expenses	-	-	-	4,704	-	-	-	4,704
Total Assets	<u>\$ 335,817</u>	<u>\$ 601,731</u>	<u>\$ 174,804</u>	<u>\$ 656,930</u>	<u>\$ 54,928</u>	<u>\$ 6,000</u>	<u>\$ 29,254</u>	<u>\$ 1,859,464</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 2,501	\$ 2,031	\$ -	\$ 29,751	\$ 54,928	\$ 6,000	\$ 4,272	\$ 99,483
Accrued salaries and wages	-	15,543	-	37,241	-	-	-	52,784
Unearned Revenue	-	24,341	-	88,453	-	-	24,982	137,776
Total Liabilities	<u>2,501</u>	<u>41,915</u>	<u>-</u>	<u>155,445</u>	<u>54,928</u>	<u>6,000</u>	<u>29,254</u>	<u>290,043</u>
Fund Balances								
Nonspendable	-	-	-	4,704	-	-	-	4,704
Restricted	333,316	559,816	174,804	496,781	-	-	-	1,564,717
Total Fund Balances	<u>333,316</u>	<u>559,816</u>	<u>174,804</u>	<u>501,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,569,421</u>
Total Liabilities and Fund Balances	<u>\$ 335,817</u>	<u>\$ 601,731</u>	<u>\$ 174,804</u>	<u>\$ 656,930</u>	<u>\$ 54,928</u>	<u>\$ 6,000</u>	<u>\$ 29,254</u>	<u>\$ 1,859,464</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Gift Fund	Food Service	Capital Projects Fund	Community Service	Vocational Education Fund	YOUTH Apprenticeship Fund	SWSA/ SSLC Fund	Total Nonmajor Governmental Funds
REVENUES								
Local	\$ 222,374	\$ 568,583	\$ 1,932	\$ 1,370,445	\$ -	\$ -	\$ -	\$ 2,163,334
Interdistrict	-	-	-	-	-	-	103,305	103,305
State	-	28,099	-	-	-	36,000	-	64,099
Federal	-	1,076,235	-	-	106,025	-	-	1,182,260
Other revenue	-	-	-	293	-	-	-	293
Total Revenues	<u>222,374</u>	<u>1,672,917</u>	<u>1,932</u>	<u>1,370,738</u>	<u>106,025</u>	<u>36,000</u>	<u>103,305</u>	<u>3,513,291</u>
EXPENDITURES								
Instruction								
Regular	20,670	-	-	-	-	-	-	20,670
Vocational	-	-	-	-	27,861	-	-	27,861
Other	1,504	-	-	-	-	-	-	1,504
Total Instruction	<u>22,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,861</u>	<u>-</u>	<u>-</u>	<u>50,035</u>
Support Services								
Pupil Services	3,851	-	-	-	-	-	-	3,851
Instructional support	-	-	-	-	48,000	30,000	-	78,000
General administrative services	-	-	-	-	-	-	82,280	82,280
Business administrative services	-	1,675,078	-	115,432	-	-	-	1,790,510
Central services	-	-	-	-	-	-	21,025	21,025
Community Services	-	-	-	1,403,940	-	-	-	1,403,940
Total Support Services	<u>3,851</u>	<u>1,675,078</u>	<u>-</u>	<u>1,519,372</u>	<u>48,000</u>	<u>30,000</u>	<u>103,305</u>	<u>3,379,606</u>
Non-Program								
General tuition payments	-	-	-	-	30,164	6,000	-	36,164
Total Non-Program	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,164</u>	<u>6,000</u>	<u>-</u>	<u>36,164</u>
Total Expenditures	<u>26,025</u>	<u>1,675,078</u>	<u>-</u>	<u>1,519,372</u>	<u>106,025</u>	<u>36,000</u>	<u>103,305</u>	<u>3,465,805</u>
Excess (deficiency) of revenues over expenditures	196,349	(2,161)	1,932	(148,634)	-	-	-	47,486
OTHER FINANCING SOURCES								
Transfers (to) from other fund	-	-	160,000	-	-	-	-	160,000
Net Change in Fund Balances	196,349	(2,161)	161,932	(148,634)	-	-	-	207,486
Fund Balances, beginning of year	136,967	561,977	12,872	650,119	-	-	-	1,361,935
FUND BALANCES, end of year	<u>\$ 333,316</u>	<u>\$ 559,816</u>	<u>\$ 174,804</u>	<u>\$ 501,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,569,421</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2019**

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
ASSETS				
Cash and investments - High School	\$ 191,156	\$ 387,729	\$ 512,656	\$ 66,229
Cash and investments - Middle School	30,516	51,823	47,974	34,365
	<u>\$ 221,672</u>	<u>\$ 439,552</u>	<u>\$ 560,630</u>	<u>\$ 100,594</u>
LIABILITIES				
Due to student organizations - High School	\$ 191,156	\$ 387,729	\$ 512,656	\$ 66,229
Due to student organizations - Middle School	30,516	51,823	47,974	34,365
	<u>\$ 221,672</u>	<u>\$ 439,552</u>	<u>\$ 560,630</u>	<u>\$ 100,594</u>

See accompanying notes to the financial statements.

**SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
AWARDS AND RELATED AUDITOR'S REPORTS**

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

Awarding Agency/Pass-Through Agency/Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Program of Award Amount	Accrued Receivable 7/1/2018	Expenditures Grantor	Revenues Grantor Reimbursements	Accrued Receivable 6/30/2019
U.S. DEPARTMENT OF EDUCATION							
State of Wisconsin							
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
IDEA Cluster							
<u>IDEA Flow Through</u>	84.027	2019-405439-IDEA-FT-341					
July 1, 2017 - June 30, 2018			748,599	\$ 470,050	\$ -	\$ 470,050	\$ -
July 1, 2018 - June 30, 2019			737,492	-	711,817	-	711,817
<u>High Cost Special Education</u>	84.027	2019-405439-IDEA-FT-341					
July 1, 2018 - June 30, 2019			10,499	-	10,499	10,499	-
<u>IDEA Preschool Entitlement</u>	84.173	2019-405439-IDEA-PS-347					
July 1, 2017 - June 30, 2018			28,926	12,811	-	12,811	-
July 1, 2018 - June 30, 2019			28,525	-	22,307	9,617	12,690
<u>CESA 1- UDL</u>	84.027	2019-405439-IDEA-FT-341					
July 1, 2017 - June 30, 2018			7,933	7,933	-	7,933	-
TOTAL IDEA CLUSTER				<u>490,794</u>	<u>744,623</u>	<u>510,910</u>	<u>724,507</u>
<u>Title 1 - Basic Grant</u>	84.010	2019-405439-TIA-141					
July 1, 2017 - June 30, 2018			648,924	374,851	-	374,851	-
July 1, 2018 - June 30, 2019			602,805	-	579,388	237,374	342,014
<u>Carl Perkins - Vocational Education</u>	84.048	2019-405439-CTE-400					
July 1, 2017 - June 30, 2018			99,245	99,245	-	99,245	-
July 1, 2018 - June 30, 2019			108,515	-	106,025	-	106,025
<u>Title II A - Class Sized Reduction</u>	84.367	2019-405439-TIIA-365					
July 1, 2017 - June 30, 2018			71,264	31,355	-	31,355	-
July 1, 2018 - June 30, 2019			164,794	-	89,094	-	89,094
<u>ESEA Title III - A Acquisition Grants</u>	84.365	2019-405439-TIIIA-391					
July 1, 2018 - June 30, 2019			30,000	-	13,358	7,785	5,573
<u>ESEA Title IV - A Student Support</u>	84.424	2019-405439-TIVA-381					
July 1, 2018 - June 30, 2019			43,081	-	19,873	-	19,873
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>996,245</u>	<u>1,552,361</u>	<u>1,261,520</u>	<u>1,287,086</u>
U.S. DEPARTMENT OF HEALTH AND FAMILY SERVICES							
<u>Medicaid Reimbursement</u>	93.778	44217800					
July 1, 2016- June 30, 2017				-	141,456	141,456	-
July 1, 2017 - June 30, 2018				-	57,874	57,874	-
July 1, 2017 - June 30, 2018				10,090	-	10,090	-
July 1, 2018 - June 30, 2019				-	128,261	89,990	38,271
TOTAL U.S. DEPARTMENT OF HEALTH AND FAMILY SERVICES				<u>10,090</u>	<u>327,591</u>	<u>299,410</u>	<u>38,271</u>
U.S. DEPARTMENT OF AGRICULTURE							
Child Nutrition Cluster							
<u>National Summer School Food Service</u>	10.559	2019-405439-SFSP-586					
July 1, 2018 - June 30, 2019				-	28,006	28,006	-
<u>Food Distribution (Commodities)</u>	10.555	2019-405439-NSL-547					
July 1, 2018 - June 30, 2019				-	90,015	90,015	-
<u>National School Breakfast Program</u>	10.553	2019-405439-SB-546					
July 1, 2018 - June 30, 2019				-	315,216	299,795	15,421
<u>National School Lunch Program</u>	10.555	2019-405439-NSL-547					
July 1, 2018 - June 30, 2019				-	642,998	614,854	28,144
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE				<u>-</u>	<u>1,076,235</u>	<u>1,032,670</u>	<u>43,565</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,006,335</u>	<u>\$ 2,956,187</u>	<u>\$ 2,593,600</u>	<u>\$ 1,368,922</u>

See accompanying notes to schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued Receivable 7/1/2018</u>	<u>Revenue/ Expenditures</u>	<u>Reimbursements</u>	<u>Accrued Receivable 6/30/2019</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Major Programs						
General Equalization	255.201	405439-116	\$ 375,365	\$ 23,002,088	\$ 23,005,575	\$ 371,878
Integration Aid - Non-resident	255.204	405439-106	-	147,975	147,975	-
Total Major Programs			<u>375,365</u>	<u>23,150,063</u>	<u>23,153,550</u>	<u>371,878</u>
Nonmajor Programs						
Handicapped Pupils and School Age Parents	255.101	405439-100	-	1,239,880	1,239,880	-
State Lunch Aid	255.102	405439-107	-	14,136	14,136	-
Common School Library Fund	255.103	405439-104	-	115,043	115,043	-
High Cost Special Education	255.210	405439-119	-	39,275	39,275	-
School Mental Health Programs	255.227	405439-176	-	8,536	8,536	-
Personal Electronic Computing Device	255.296	405439-175	-	28,500	28,500	-
Mentoring Grants	255.301	405439-141	-	18,239	-	18,239
School Breakfast Program	255.344	405439-108	-	13,964	13,964	-
Student Achievement Guarantee in Education	255.504	405439-160	-	239,248	239,248	-
Educator Effectiveness Grant	255.940	405439-154	-	20,560	20,560	-
Per Pupil Adjustment Aid	255.945	405439-113	-	1,967,886	1,967,886	-
Career and Technical Education Grant	255.950	405439-152	-	65,000	65,000	-
Assessments of Reading Readiness	255.956	405439-166	-	4,966	4,966	-
Robotics Lead Participation Grants Public	255.959	405439-167	-	2,592	2,592	-
Special Education Transition Incentive Grants	255.960	405439-168	-	10,000	10,000	-
Total Nonmajor Programs			<u>-</u>	<u>3,787,825</u>	<u>3,769,586</u>	<u>18,239</u>
Total Wisconsin Department of Public Instruction			<u>375,365</u>	<u>26,937,888</u>	<u>26,923,136</u>	<u>390,117</u>
WISCONSIN DEPARTMENT OF REVENUE						
Major Programs						
Personal Property Aid	-	-	-	31,780	31,780	-
Exempt Computer Aid	-	-	68,515	70,172	68,515	70,172
Total Wisconsin Department of Revenue			<u>68,515</u>	<u>101,952</u>	<u>100,295</u>	<u>70,172</u>
WISCONSIN DEPARTMENT OF JUSTICE						
Safety Grant	-	-	-	30,879	30,879	-
Total Wisconsin Department of Justice			<u>-</u>	<u>30,879</u>	<u>30,879</u>	<u>-</u>
Wisconsin Department of Workforce Development						
Youth Apprenticeship Grant	445.107	-	31,479	36,000	31,479	36,000
Total Wisconsin Department of Workforce Development			<u>31,479</u>	<u>36,000</u>	<u>31,479</u>	<u>36,000</u>
Total State Awards			<u>\$ 475,359</u>	<u>\$ 27,106,719</u>	<u>\$ 27,085,789</u>	<u>\$ 496,289</u>

See accompanying notes to schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF SOUTH MILWAUKEE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state award activity of the District. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Wisconsin State Single Audit Guidelines. Because the Schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 *Cost Principles for State and Local governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Wisconsin Single Audit Guidelines.

The District has not elected to use the 10% de minimis cost rate as covered in Uniform Guidance Section 200.414 *Indirect (F & A) Costs*.

Note 3 - Oversight Agencies

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

Note 4 - Eligible Costs for Special Education

Eligible costs for special education under project 011 were \$5,055,383 for the year ended June 30, 2019.

**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**

Board of Education
School District of South Milwaukee
Milwaukee County, Wisconsin

We have audited, in accordance with the auditing standards generally accept 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, each major fund and the aggregate remaining fund information of the School District of South Milwaukee (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District of South Milwaukee's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as **Finding 2019-001** that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

School District of South Milwaukee's Response to Findings

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

Purpose of this Report

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

Restriction on Use

This report is intended for the information and use of management, the Board of Education, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

FELD, SCHUMACHER & COMPANY, LLP



West Allis, Wisconsin
November 26, 2019

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

Board of Education
School District of South Milwaukee
Milwaukee County, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of South Milwaukee's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. We have also audited the District's compliance with the types of compliance requirements described in the State Single Audit Guidelines issued by the Wisconsin Department of Administration and the Wisconsin Public School District Audit Manual, issued by the Wisconsin Department of Public Instruction that are applicable to each of its major state programs for the year ended June 30, 2019. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal and State Programs

In our opinion, the District 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, 2019.

Report on Internal Control Over Compliance

Management of the District 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 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 our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

FELD, SCHUMACHER & COMPANY, LLP



West Allis, Wisconsin
November 26, 2019

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	___ yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> yes	___ no
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no

Federal Awards

Internal control over major programs		
Material weakness(es) identified?	___ yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	___ yes	<u> X </u> no

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	<u> X </u> no
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Identification of major programs

CFDA NUMBER(S)

93.778

10.555
10.555
10.553
10.559

Name of Federal Program or Cluster

Medicaid
Child Nutrition Cluster
 National School Lunch Program
 Food Distribution
 National School Breakfast Program
 National Summer School Food Program

Dollar threshold used to distinguish between Type A & Type B programs	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	___ yes	<u> X </u> no
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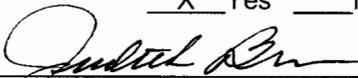
**SCHOOL DISTRICT OF SOUTH MILWAUKEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

Section IV: Other issues (continued)

3. Was a Management letter or other document conveying audit comments issued as a result of this audit?

Yes No N/A

4. Name and signature of partner



Judith A. Bruni, CPA

Date of report

November 26, 2019

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
CORRECTIVE ACTION PLAN
Year Ended June 30, 2019**

Financial Statement

Finding 2019-001: Inability to Report Financial Data

Corrective Action Plan – The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor’s services and review and approve the financial statements and notes, and accept responsibility for them.

**SCHOOL DISTRICT OF SOUTH MILWAUKEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

Financial Statements

Finding 2018.001 Inability to report financial data

Criteria – *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control deficiency.

Condition – The District’s internal control over financial reporting extends through completion of the general ledger, but not to preparation of financial statements and notes. As auditors, we were requested to draft the financial statements including adjustments required under GASB 34 and the accompanying notes to the financial statements. The auditors believe, in the auditors’ judgment, the District does possess the necessary expertise to prepare the financial statements, but has chosen to hire the auditor’s to perform this service.

Effect – As a result of not having an individual on staff to prepare GAAP basic financial statements, the District has an internal control deficiency.

Cause – Management and those charged with governance have accepted this condition because of cost.

Recommendation – We recommend that management and those charged with governance continue to oversee and accept responsibility of the financial statement preparation services.

Corrective Action Plan – The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor’s services and review and approve the financial statements and notes, and accept responsibility for them.

Status of Finding – No Change