

School District of South Milwaukee

Financial Statements and
Supplementary Information

June 30, 2025

School District of South Milwaukee

Table of Contents

June 30, 2025

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
District-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Fiduciary Net Position - Fiduciary Fund	10
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	11
Index to Notes to Financial Statements	12
Notes to Financial Statements	13
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Special Education Fund	41
Budgetary Comparison Schedule - Community Service Fund	42
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	43
Schedule of Employer Contributions - OPEB	44
Schedule of Annual Money-Weighted Rate of Return on Investments - OPEB and Supplemental Pension Plan	44
Schedule of Changes in the District's Net Pension Liability and Related Ratios - Supplemental Pension Plan	45
Schedule of Employer Contributions - Supplemental Pension Plan	45

School District of South Milwaukee

Table of Contents
June 30, 2025

	<u>Page</u>
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System (WRS)	46
Schedule of Employer Contributions - Wisconsin Retirement System (WRS)	46
Notes to Required Supplementary Information	47
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	50

Independent Auditors' Report

To the Board of Education of the
School District of South Milwaukee

Report on the Audit of the Financial Statements

Opinions

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 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 District as of June 30, 2025 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, changes in the presentation of funds within the financial statements had occurred and adjustments were made to the reporting periods beginning fund balance. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 9, 2025

School District of South Milwaukee

Statement of Net Position

June 30, 2025

Assets and Deferred Outflows of Resources**Current Assets**

Cash and investments	\$ 19,376,114
Taxes receivable	2,029,531
Due from other governments	1,238,206
Other receivables	57,891
Prepaid expenses	121,846
Inventory	81,092
Total current assets	<u>22,904,680</u>

Noncurrent Assets

Land	2,343,180
Other capital assets, net of depreciation	<u>46,330,742</u>
Total noncurrent assets	<u>48,673,922</u>
Total assets	<u>71,578,602</u>

Deferred Outflows of Resources

Pension related amounts, WRS	11,277,801
OPEB related amounts	<u>261,409</u>
Total deferred outflows of resources	<u>11,539,210</u>

Liabilities, Deferred Inflows of Resources and Net Position**Liabilities**

Current:	
Accounts payable	588,566
Accrued liabilities and interest	1,713,434
Unearned revenues	75,893
Current portion of general obligation debt	535,000
Current portion of compensated absences	<u>317,563</u>
Total current liabilities	<u>3,230,456</u>
Noncurrent:	
Noncurrent portion of compensated absences	903,834
Net pension liability, WRS	2,045,166
Net supplemental pension liability	3,527,766
Net OPEB liability	<u>417,958</u>
Total noncurrent liabilities	<u>6,894,724</u>
Total liabilities	<u>10,125,180</u>

Deferred Inflows of Resources

Pension related amounts, WRS	5,968,286
Supplemental pension related amounts	872,053
OPEB related amounts	<u>5,119,720</u>
Total deferred inflows of resources	<u>11,960,059</u>

Net Position

Net investment in capital assets	48,138,922
Restricted for:	
Self-funded insurance	1,249,273
Debt service	365,532
Gift fund	1,277,609
Community service	2,626,616
Long-term capital improvements	6,316,106
Food service	1,054,930
Unrestricted	<u>3,585</u>
Total net position	<u>\$ 61,032,573</u>

See notes to financial statements

School District of South Milwaukee

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular instruction	\$ 21,699,319	\$ 3,557,972	\$ 2,390,855	\$ (15,750,492)
Vocational instruction	1,713,512	-	118,281	(1,595,231)
Special instruction	6,092,841	-	3,043,281	(3,049,560)
Other instruction	1,469,657	-	-	(1,469,657)
Total instruction	30,975,329	3,557,972	5,552,417	(21,864,940)
Community Services	1,632,466	804,488	-	(827,978)
Support Services				
Pupil services	2,935,010	-	247,410	(2,687,600)
Instructional staff services	4,102,712	-	208,732	(3,893,980)
Administration	4,276,979	-	-	(4,276,979)
Buildings and grounds	4,855,421	-	-	(4,855,421)
Transportation	612,983	-	-	(612,983)
Other support services	1,498,102	-	-	(1,498,102)
Food services	1,788,439	601,715	1,185,460	(1,264)
Interest on debt	24,156	-	-	(24,156)
Depreciation, unallocated	1,912,345	-	-	(1,912,345)
Total support services	22,006,147	601,715	1,641,602	(19,762,830)
Total governmental activities	\$ 54,613,942	\$ 4,964,175	\$ 7,194,019	(42,455,748)
General Revenues				
Property taxes:				
General purposes				12,007,968
Debt service				524,745
Community service				1,580,087
State and federal aids not restricted to specific functions				28,186,048
Investment income				731,567
Gifts				427,343
Miscellaneous				75,345
Total general revenues				43,533,103
Change in net position				1,077,355
Net Position, Beginning				59,955,218
Net Position, Ending				\$ 61,032,573

See notes to financial statements

School District of South Milwaukee

Balance Sheet -
Governmental Funds
June 30, 2025

	Special Revenue Funds				Capital Projects		
					Long-Term Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Education Fund	Community Service Fund	Debt Service Fund			
Assets							
Cash and investments	\$ 10,561,352	\$ -	\$ 2,696,056	\$ 369,812	\$ 3,409,849	\$ 2,339,045	\$ 19,376,114
Taxes receivable	2,029,531	-	-	-	-	-	2,029,531
Accounts receivable	2,516	-	43,165	-	-	12,210	57,891
Due from other governments	639,515	373,208	-	-	-	225,483	1,238,206
Due from other funds	440,552	-	-	-	2,925,000	-	3,365,552
Prepaid expenses	115,961	-	1,885	-	-	4,000	121,846
Inventory	81,092	-	-	-	-	-	81,092
Total assets	<u>\$ 13,870,519</u>	<u>\$ 373,208</u>	<u>\$ 2,741,106</u>	<u>\$ 369,812</u>	<u>\$ 6,334,849</u>	<u>\$ 2,580,738</u>	<u>\$ 26,270,232</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 414,272	\$ 53,213	\$ 25,868	\$ -	\$ 18,743	\$ 76,470	\$ 588,566
Accrued liabilities	1,644,559	6,711	44,012	-	-	13,872	1,709,154
Unearned revenues	694	-	44,610	-	-	30,589	75,893
Due to other funds	2,925,000	313,284	-	-	-	127,268	3,365,552
Total liabilities	<u>4,984,525</u>	<u>373,208</u>	<u>114,490</u>	<u>-</u>	<u>18,743</u>	<u>248,199</u>	<u>5,739,165</u>
Fund Balances							
Nonspendable	197,053	-	1,885	-	-	4,000	202,938
Restricted for:							
Self-funded insurance	1,249,273	-	-	-	-	-	1,249,273
Debt service	-	-	-	369,812	-	-	369,812
Gift	-	-	-	-	-	1,273,609	1,273,609
Community service	-	-	2,624,731	-	-	-	2,624,731
Long-term capital improvements	-	-	-	-	6,316,106	-	6,316,106
Food service	-	-	-	-	-	1,054,930	1,054,930
Unassigned	7,439,668	-	-	-	-	-	7,439,668
Total fund balances	<u>8,885,994</u>	<u>-</u>	<u>2,626,616</u>	<u>369,812</u>	<u>6,316,106</u>	<u>2,332,539</u>	<u>20,531,067</u>
Total liabilities and fund balances	<u>\$ 13,870,519</u>	<u>\$ 373,208</u>	<u>\$ 2,741,106</u>	<u>\$ 369,812</u>	<u>\$ 6,334,849</u>	<u>\$ 2,580,738</u>	<u>\$ 26,270,232</u>

See notes to financial statements

School District of South Milwaukee**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

June 30, 2025

Total Fund Balances, Governmental Funds

\$ 20,531,067

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

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year-end consist of:

Land	\$ 2,343,180	
Other capital assets	94,358,945	
Accumulated depreciation	<u>(48,028,203)</u>	48,673,922

Some deferred outflows of resources and deferred inflows of resources are not reported in the fund statements. These consist of:

Deferred outflows, WRS pension related amounts	11,277,801
Deferred outflows, OPEB related amounts	261,409
Deferred inflows, WRS pension related amounts	(5,968,286)
Deferred inflows, supplemental pension related amounts	(872,053)
Deferred inflows, OPEB related amounts	<u>(5,119,720)</u>

Long-term liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Long-term liabilities at year end consist of:

General obligation debt	(535,000)	
Accrued interest on general obligation debt	(4,280)	
Net pension liability, WRS	(2,045,166)	
Net supplemental pension liability	(3,527,766)	
Net OPEB liability	(417,958)	
Compensated absences	<u>(1,221,397)</u>	<u>(7,751,567)</u>

Total Net Position, Governmental Activities\$ 61,032,573*See notes to financial statements*

School District of South Milwaukee

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds			Capital Projects			
				Long-Term			
	General Fund	Special Education Fund	Community Service Fund	Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 12,007,968	\$ -	\$ 1,580,087	\$ 524,745	\$ -	\$ -	\$ 14,112,800
Other local sources	936,927	-	832,824	21,537	187,227	1,086,837	3,065,352
Interdistrict sources	3,324,065	30,000	-	-	-	83,328	3,437,393
Intermediate sources	1,720	10,085	-	-	-	-	11,805
State sources	28,859,460	2,167,385	-	-	-	85,995	31,112,840
Federal sources	1,814,891	779,813	-	-	-	1,281,057	3,875,761
Other sources	63,494	-	1,029	-	7,150	-	71,673
Total revenues	47,008,525	2,987,283	2,413,940	546,282	194,377	2,537,217	55,687,624
Expenditures							
Instruction:							
Regular instruction	19,613,054	-	-	-	395,210	139,103	20,147,367
Vocational instruction	1,595,087	-	-	-	60,047	56,832	1,711,966
Special instruction	-	6,790,047	-	-	-	-	6,790,047
Other instruction	1,429,620	-	-	-	-	224,941	1,654,561
Total instruction	22,637,761	6,790,047	-	-	455,257	420,876	30,303,941
Community service	-	-	1,690,213	-	-	-	1,690,213
Support services:							
Pupil services	1,722,944	1,090,385	-	-	-	-	2,813,329
Instructional staff services	3,751,428	260,728	-	-	-	194,642	4,206,798
Administration	4,053,807	-	-	-	-	81,634	4,135,441
Buildings and grounds	4,475,712	-	136,134	-	1,590,672	122,603	6,325,121
Transportation	158,868	450,371	-	-	-	748	609,987
Debt service	-	-	-	532,370	-	-	532,370
Other support services	1,470,352	-	5,102	-	764	21,546	1,497,764
Food service	-	-	-	-	-	1,844,016	1,844,016
Total support services	15,633,111	1,801,484	141,236	532,370	1,591,436	2,265,189	21,964,826
Total expenditures	38,270,872	8,591,531	1,831,449	532,370	2,046,693	2,686,065	53,958,980
Excess (deficiency) of revenues over (under) expenditures	8,737,653	(5,604,248)	582,491	13,912	(1,852,316)	(148,848)	1,728,644
Other Financing Sources (Uses)							
Sales of capital assets	3,672	-	-	-	-	-	3,672
Transfers in	-	5,604,248	-	-	2,925,000	42,764	8,572,012
Transfers out	(8,572,012)	-	-	-	-	-	(8,572,012)
Total other financing sources (uses)	(8,568,340)	5,604,248	-	-	2,925,000	42,764	3,672
Net change in fund balances	169,313	-	582,491	13,912	1,072,684	(106,084)	1,732,316
Fund Balances, Beginning	8,716,681	-	-	355,900	5,243,422	4,482,748	18,798,751
Accounting changes (see note disclosure)	-	-	2,044,125	-	-	(2,044,125)	-
Fund Balances, Beginning, as adjusted	8,716,681	-	2,044,125	355,900	5,243,422	2,438,623	18,798,751
Fund Balances, Ending	\$ 8,885,994	\$ -	\$ 2,626,616	\$ 369,812	\$ 6,316,106	\$ 2,332,539	\$ 20,531,067

See notes to 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
Year Ended June 30, 2025

Net Change in Fund Balances, Total Governmental Funds \$ 1,732,316

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:

Capital outlay is capitalized in the district-wide statements	2,284,544
Depreciation is reported in the district-wide statements	(2,229,284)
Net book value of assets disposed of	(35,596)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal paid	500,000
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Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

This amount is the change in the following assets/liabilities:

Net WRS pension asset/liability (and WRS pension related deferred outflows and inflows of resources)	(951,687)
Net supplemental pension asset/liability (and supplemental pension related deferred outflows and inflows of resources)	514,836
Net other postemployment benefits (OPEB) asset/liability (and OPEB related deferred outflows and inflows of resources)	400,474
Compensated absences	(1,146,550)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

3,899

Debt premiums, discounts and similar items are reported as other financing sources (uses) or expenditures in the governmental funds. However, in the Statement of Net Position, these are deferred and allocated over the period the debt is outstanding in the Statement of Activities.

Amortization of premium on long-term debt	4,403
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Change in Net Position of Governmental Activities

\$ 1,077,355

School District of South Milwaukee

Statement of Fiduciary Net Position -

Fiduciary Fund

June 30, 2025

	Pension and Other Employee Benefit Trust Fund
	<hr/>
Assets	
Cash and investments	<u><u>\$ 3,085,853</u></u>
Net Position	
Restricted for pension and other OPEB	<u><u>\$ 3,085,853</u></u>
Total net position	<u><u>\$ 3,085,853</u></u>

See notes to financial statements

School District of South Milwaukee

Statement of Changes in Fiduciary Net Position -

Fiduciary Fund

Year Ended June 30, 2025

	Pension and Other Employee Benefit Trust Fund
Additions	
Employer contributions	\$ 1,009,844
Member contributions	10,089
Investment income	<u>223,681</u>
Total additions	<u>1,243,614</u>
Deductions	
Benefits paid	823,974
Other expenses	<u>8,392</u>
Total deductions	<u>832,366</u>
Change in fiduciary net position	411,248
Net Position, Beginning	<u>2,674,605</u>
Net Position, Ending	<u><u>\$ 3,085,853</u></u>

See notes to financial statements

School District of South Milwaukee

Index to Notes to Financial Statements

June 30, 2025

	<u>Page</u>
1. Summary of Significant Accounting Policies	13
Reporting Entity	13
District-Wide and Fund Financial Statements	13
Measurement Focus, Basis of Accounting and Financial Statement Presentation	15
Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	16
Deposits and Investments	16
Receivables	17
Inventories and Prepaid Items	17
Capital Assets	18
Deferred Outflows of Resources	18
Compensated Absences	18
Long-Term Obligations	18
Deferred Inflows of Resources	18
Equity Classifications	19
Pension	20
Postemployment Benefits Other Than Pensions (OPEB)	20
Supplemental Pension Plan	20
2. Stewardship, Compliance and Accountability	21
Excess Expenditures and Other Financing Uses Over Budget	21
Limitations on the District's Revenues	21
3. Detailed Notes on All Funds	21
Deposits and Investments	21
Receivables	23
Capital Assets	23
Interfund Receivables/Payables and Transfers	24
Long-Term Obligations	25
Net Position/Fund Balances	26
Accounting Changes and Error Corrections	27
4. Other Information	27
Employees' Retirement System	27
Risk Management	32
Commitments and Contingencies	33
Other Postemployment Benefits	33
Single-Employer Defined Benefit Pension Plan	37
Effect of New Accounting Standards on Current-Period Financial Statements	39

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies

The accounting policies of the School District of South Milwaukee, Wisconsin (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The District has not identified any organizations that meet this criteria.

District-Wide and Fund Financial Statements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024; however, the impact of this implementation was not material to the financial statements.

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. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Funds are organized as major funds or nonmajor funds within the governmental 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/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type and
- b. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

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.

The District reports the following major governmental funds:

General Fund

General Fund accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue Funds

Special Education Fund - Special Revenue Fund is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the special education program.

Community Service Fund - Special Revenue Fund is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for community services.

Debt Service Fund

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of long-term debt principal, interest and related costs.

Capital Projects Fund

Long Term Capital Improvement Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Gift
Southeastern Wisconsin School Alliance (SWSA)

Food Service

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

In addition, the District reports the following fund types:

Pension and Other Employee Benefit Trust Fund

Pension and Other Employee Benefit Trust Fund is used to account for and report resources that are required to be held in trust for resources legally held in trust for the District's supplemental pension plan and postretirement health insurance benefits.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported 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. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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 taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services and interest. Other general revenues such as student fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary Fund

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

All Financial Statements

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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

Credit risk

Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2025, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

PMA Financial Network, Inc. is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network Inc. WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2025, the District's share of the WISC assets was substantially equal to the amount reported in these statements.

See Note 3 for further information.

Receivables

Property taxes are levied in December on the assessed values as of the prior January 1.

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

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

Property tax calendar - 2024 tax roll:

Lien date and levy date	December 2024
Tax bills mailed	December 2024
Payment in full, or	January 31, 2025
First installment due	January 31, 2025
Second installment due	March 31, 2025
Third installment due	May 31, 2025

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.

Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant and equipment (including right-to-use lease assets), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital 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. 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

Lease assets are typically amortized over the lease term.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts.

Vacation and sick leave pay is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are payable with expendable resources.

Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable and compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-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 (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted Net Position** - Consists of net position with constraints placed on their 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 Net Position** - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their 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. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the School Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the School Board that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned by the School Board or other authorized committee or individual. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note 3 for further information.

Pension

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; and
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from the District OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan. For this purpose, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Supplemental Pension Plan

For purposes of measuring the net Supplemental Pension liability and deferred inflows of resources related to Supplemental Pension and Supplemental Pension expense, information about the fiduciary net position of the District Supplemental Pension Plan and additions to/deductions from the District Supplemental Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the District Supplemental Pension Plan. For this purpose, the District Supplemental Pension Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

2. Stewardship, Compliance and Accountability

Excess Expenditures and Other Financing Uses Over Budget

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Education Fund	\$ 8,373,838	\$ 8,591,531	\$ 217,693
Gift Fund	-	443,218	443,218
Food Service Fund	1,973,352	1,977,927	4,575

The District controls expenditures at the function level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

Limitations on the District's Revenues

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

The 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.

3. Detailed Notes on All Funds

Deposits and Investments

The District's deposits and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank and Investment Balances</u>	<u>Associated Risks</u>
Deposits	\$ (345,664)	\$ 1,479,008	Custodial credit
LGIP	19,242,401	19,242,401	Credit
CESA 6 Wisconsin OPEB Trust	2,882,395	2,882,395	N/A
WISC Investment Series	679,855	679,855	Credit
Petty cash	2,980	-	N/A
Total deposits and investments	<u>\$ 22,461,967</u>	<u>\$ 24,283,659</u>	

School District of South Milwaukee

Notes to Financial Statements

June 30, 2025

Reconciliation to financial statements

Per statement of net position:

Cash and investments \$ 19,376,114

Per statement of net position, fiduciary funds:

Pension and other employee benefit trust fund 3,085,853

Total deposits and investments \$ 22,461,967

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and non-interest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$1,000,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Quoted market prices

Investment Type	June 30, 2025			
	Level 1	Level 2	Level 3	Total
CESA 6 Wisconsin OPEB Trust	\$ 2,882,395	\$ -	\$ -	\$ 2,882,395

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

The District does not have any deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District held investments in the following external pools which are not rated:

Local Government Investment Pool

Wisconsin Investment Series Cooperative (WISC)

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

See Note 1 for further information on deposit and investment policies.

Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 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	83,931,325	1,651,620	-	85,582,945
Equipment and machinery	<u>8,559,758</u>	<u>632,924</u>	<u>416,682</u>	<u>8,776,000</u>
Total capital assets being depreciated	<u>92,491,083</u>	<u>2,284,544</u>	<u>416,682</u>	<u>94,358,945</u>
Total capital assets	<u>94,834,263</u>	<u>2,284,544</u>	<u>416,682</u>	<u>96,702,125</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,070,763)	(2,000,442)	-	(41,071,205)
Equipment and machinery	<u>(7,109,242)</u>	<u>(228,842)</u>	<u>381,086</u>	<u>(6,956,998)</u>
Total accumulated depreciation	<u>(46,180,005)</u>	<u>(2,229,284)</u>	<u>381,086</u>	<u>(48,028,203)</u>
Net capital assets being depreciated	<u>46,311,078</u>	<u>55,260</u>	<u>35,596</u>	<u>46,330,742</u>
Total governmental activities capital assets, net as reported in the statement of net position	<u>\$ 48,654,258</u>	<u>\$ 55,260</u>	<u>\$ 35,596</u>	<u>\$ 48,673,922</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

Instruction:	
Regular	\$ 70,902
Support services:	
Administration	32,750
Buildings and grounds	144,909
Transportation	29,672
Food service	35,779
Pupil service	2,927
Unallocated	<u>1,912,345</u>
Total governmental activities depreciation expense	<u>\$ 2,229,284</u>

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects, Long Term Capital Improvement Fund	General Fund	\$ 2,925,000
	Special Revenue, Special Education Fund	313,284
General Fund		
General Fund	Special Revenue, SWSA Fund	<u>127,268</u>
Total		<u>\$ 3,365,552</u>

All amounts are due within one year.

The principal purpose of these interfunds is to cover cash overdrafts. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Revenue, Special Education Fund	General Fund	\$ 5,604,248	Operating subsidy
Capital Projects, Long Term Capital Improvement Fund	General Fund	2,925,000	Capital projects
Special Revenue, Food Service Fund	General Fund	<u>42,764</u>	Cover bad debts
Total		<u>\$ 8,572,012</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses 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.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 1,035,000	\$ -	\$ 500,000	\$ 535,000	\$ 535,000
(Discounts)/Premiums:					
Bond premium	<u>4,403</u>	<u>-</u>	<u>4,403</u>	<u>-</u>	<u>-</u>
Total bonds and notes payable	<u>1,039,403</u>	<u>-</u>	<u>504,403</u>	<u>535,000</u>	<u>535,000</u>
Other liabilities:					
Compensated absences*	<u>74,847</u>	<u>1,146,550</u>	<u>-</u>	<u>1,221,397</u>	<u>317,563</u>
Total other liabilities	<u>74,847</u>	<u>1,146,550</u>	<u>-</u>	<u>1,221,397</u>	<u>317,563</u>
Total governmental activities long-term liabilities	<u>\$ 1,114,250</u>	<u>\$ 1,146,550</u>	<u>\$ 504,403</u>	<u>\$ 1,756,397</u>	<u>\$ 852,563</u>

*The change in the compensated absences liability is presented as a net change.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2025, was \$191,799,900. Total general obligation debt outstanding at year end was \$535,000.

General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the District. Debt in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance June 30, 2025</u>
General Obligation Bonds	09/05/2012	10/01/2026	0.50-3.20%	\$ 4,595,000	\$ <u>535,000</u>
Total governmental activities, general obligation debt					\$ <u>535,000</u>

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Governmental Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 535,000	\$ 17,120

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Net Position/Fund Balances

Net position reported on the district-wide statement of net position at June 30, 2025, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 2,343,180
Other capital assets, net of accumulated depreciation	46,330,742
Less long-term debt outstanding	<u>(535,000)</u>

Total net investment in capital assets \$ 48,138,922

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2025, include the following:

	General Fund	Special Revenue Community Service Fund	Debt Service Fund	Capital Projects Long Term Capital Improvement Fund	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable:						
Prepaid items	\$ 115,961	\$ 1,885	\$ -	\$ -	\$ 4,000	\$ 121,846
Inventories	<u>81,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,092</u>
Subtotal	<u>197,053</u>	<u>1,885</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>202,938</u>
Restricted for:						
Self-funded health insurance	1,249,273	-	-	-	-	1,249,273
Debt service	-	-	369,812	-	-	369,812
Long-term capital improvement fund	-	-	-	6,316,106	-	6,316,106
Gift fund	-	-	-	-	1,273,609	1,273,609
Food service	-	-	-	-	1,054,930	1,054,930
Community service	<u>-</u>	<u>2,624,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,624,731</u>
Subtotal	<u>1,249,273</u>	<u>2,624,731</u>	<u>369,812</u>	<u>6,316,106</u>	<u>2,328,539</u>	<u>12,888,461</u>
Unassigned	<u>7,439,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,439,668</u>
Total fund balances	<u>\$ 8,885,994</u>	<u>\$ 2,626,616</u>	<u>\$ 369,812</u>	<u>\$ 6,316,106</u>	<u>\$ 2,332,539</u>	<u>\$ 20,531,067</u>

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Accounting Changes and Error Corrections

Changes to or within the Financial Reporting Entity (See Adjustments Below)

The Community Service special revenue fund, previously reported as a nonmajor fund, is reported as a major fund for 2025. During fiscal year 2025, changes to or within the financial reporting entity resulted in adjustments to beginning fund balance, as follows:

Adjustments to Beginning Balances

	June 30, 2024 As Previously Reported	Change to or Within the Financial Reporting Entity	June 30, 2024 As Adjusted
Governmental Funds			
Major fund:			
Community service	\$ -	\$ 2,044,125	\$ 2,044,125
Nonmajor funds	4,482,748	(2,044,125)	2,438,623

4. Other Information

Employees' Retirement System

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, expected to work at least 1,200 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 Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement 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, 2025

Final average earnings is the average of the participant's three highest annual earnings period. 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 benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)
2024	3.6	15.0

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, 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 \$1,746,489 in contributions from the District.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Contribution rates for the plan year reported as of June 30, 2025 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers, Executives & Elected officials)	6.90 %	6.90 %

Pension Liability, Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$2,045,166 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, the District's proportion was 0.12446502%, which was a decrease of 0.00690830% from its proportion measured as of December 31, 2023.

For the year ended June 30, 2025, the District recognized pension expense (revenue) of \$2,687,762.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 6,351,360	\$ 5,968,286
Changes in assumptions	606,840	-
Net differences between projected and actual earnings on pension plan investments	3,107,738	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,498	-
Employer contributions subsequent to the measurement date	<u>1,119,365</u>	<u>-</u>
Total	<u>\$ 11,277,801</u>	<u>\$ 5,968,286</u>

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

\$1,119,365 reported as deferred outflows of resources 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2026	\$ 1,263,761
2027	4,268,096
2028	(1,025,625)
2029	(316,082)

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table
Postretirement Adjustments*:	1.7%

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

School District of South Milwaukee

Notes to Financial Statements

June 30, 2025

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including seniority (merit) and separation rates. The Total Pension Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns* as of December 31, 2024			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Public Equity	38	7.0	4.3
Public Fixed Income	27	6.1	3.4
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Private Equity/Debt	20	9.5	6.7
Leverage***	(12)	3.7	1.1
Total Core Fund	100	7.5	4.8
Variable Fund Asset			
U.S. Equities	70	6.5	3.8
International Equities	30	7.4	4.7
Total Variable Fund	100	6.9	4.2

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

** New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.6%

*** The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%.

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.) Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
District's proportionate share of the net pension liability (asset)	\$ 19,186,330	\$ 2,045,166	\$ (10,133,138)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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 the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Self Insurance

The District established a self-funded health and dental benefit plan for its employees. The Plan administrators, HNI Risk Advisors (administrator), are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2025.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Accounting and budgeting requirements of the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$125,000 per individual and/or 125% of the annual estimated claims as provided by HNI Risk Advisors (administrator). For the year ended June 30, 2025, the aggregate claim limit was \$1,000,000. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2025, the District has reported a liability of \$245,598, which represents reported and unreported claims which were incurred on or before June 30, 2025, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid Claims, Beginning	\$ 194,934	\$ 338,059
Current year claims and changes in estimates	7,887,850	3,213,904
Claim payments	<u>(7,744,725)</u>	<u>(3,306,365)</u>
Unpaid Claims, Ending	<u>\$ 338,059</u>	<u>\$ 245,598</u>

The District has not received an actuarial certification attesting to the adequacy of the reserves, rates and the overall financial soundness of the plan.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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 attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

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 District has active construction projects as of June 30, 2025. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Other Postemployment Benefits

The District reports its liability for Other Postemployment Benefits (OPEB) based on an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

General Information About the OPEB Plan

Plan Description

The District administers a single-employer defined benefit healthcare plan (OPEB), for certain employees which includes medical insurance benefits. The District provides these benefits according to negotiated agreements. The amounts vary based on age, years of service and classification of employees. The School Board of the District is designated as the administrator of the OPEB plan and it reserves the right to alter, amend or terminate the OPEB at any time for any reason, without consent. The plan does not issue a publicly available report.

Benefits Provided

The OPEB Plan provides medical benefits for retirees and their dependents. Benefits are provided through a third-party insurer and depending on the individual's eligibility, the full cost of the benefits may or may not be covered by the OPEB Plan. Benefit terms are established by and may be amended through the District's Employee Handbook.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Active plan members	<u>234</u>
	<u><u>235</u></u>

Contributions

Contribution requirements are established through the District's employee handbook and may be amended by the action of the governing body, except for staff that have alternate arrangements established through individual contracts. The amount of the District's contribution varies depending on the retiree's position, years of service and age at retirement. For the year ended June 30, 2025, the District contributed \$76,074 to the plan. The District's contributions are made to irrevocable trust accounts.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2025 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the District at June 30, 2025, were as follows:

Total OPEB liability	\$ 462,353
Less plan fiduciary net position	<u>44,395</u>
District's net OPEB liability	<u><u>\$ 417,958</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	9.60 %
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School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	Merit increases of 0.2% to 5.7% plus inflationary increase of 3% per year
Investment rate of return	5.95
Healthcare cost trend rates	6.5% then decreasing by 0.1% per year down to 4.5% and level thereafter

Mortality rates were based on the 2020 WRS Experience Tables for Active Employees and Healthy Retirees projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period 2021-2023.

The long-term rate of return was based upon the District's asset allocation an expected nominal returns as of June 30, 2025. Implicit in this rate is a 2.50% assumed rate of inflation.

Investment Policy

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

Asset Class	Minimum	Maximum	Preferred
Domestic equity	10 %	40 %	30 %
High yield bonds	-	20	10
Fixed income	40	75	55
Cash equivalents	-	30	5

Discount Rate

The discount rate used to measure the total OPEB liability was 5.95%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2024	\$ 642,681	\$ 31,750	\$ 610,931
Changes for the year:			
Service cost	42,118	-	42,118
Interest	34,691	-	34,691
Differences between expected and actual experience	(178,872)	-	(178,872)
Changes in assumptions	(12,280)	-	(12,280)
Contributions-employer	-	76,074	(76,074)
Net investment income	-	2,655	(2,655)
Benefit payments	(65,985)	(65,985)	-
Administrative expense	-	(99)	99
Net changes	(180,328)	12,645	(192,973)
Balances at June 30, 2025	\$ 462,353	\$ 44,395	\$ 417,958

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.95%) or 1-percentage-point higher (6.95%) than the current discount rate:

	1% Decrease (4.95%)	Discount Rate (5.95%)	1% Increase (6.95%)
Net OPEB liability	\$ 457,445	\$ 417,958	\$ 381,401

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50% decreasing to 3.50%) or 1-percentage-point higher (7.50% decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.50%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.50%)	1% Increase (7.50% Decreasing to 5.50%)
Net OPEB liability	\$ 365,016	\$ 417,958	\$ 480,114

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$(324,400). At June 30, 2025, the District 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	\$ 116,885	\$ 4,659,586
Net difference between projected and actual earnings on OPEB plan investments	28,428	-
Changes of assumptions or other inputs	116,096	460,134
Total	<u>\$ 261,409</u>	<u>\$ 5,119,720</u>

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

Years Ending June 30:

2026	\$ (397,913)
2027	(383,796)
2028	(405,850)
2029	(405,243)
2030	(405,117)
Thereafter	(2,860,392)

Single-Employer Defined Benefit Pension Plan

Plan Description

The District operates a supplemental pension plan, a single-employer retiree benefit plan that provides administrators with 403(b) contributions equaling up to \$8,750 per year of service up to a maximum of 20 years of service or \$175,000. The District also provides aides, with 15 years consecutive years of service, a cash payout upon retirement of \$1,000. In addition, teachers in tiers 2 & 3 and support staff in Tier 2 are eligible for 403(b) contributions from the District, paid out over a 5-year period, equal to specific dollar amount and maximum benefit based on tier (as well as 10 month or 11/12 month employment status for support staff).

At June 30, 2025, the District plan's membership consisted of:

Retirees and beneficiaries	47
Active members	<u>317</u>
Total	<u>364</u>

The District paid \$747,900 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

School District of South Milwaukee

Notes to Financial Statements

June 30, 2025

Changes in Total Pension Liability

The District's change in total pension liability for the fiscal year ended June 30, 2025 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2024	\$ 6,978,169	\$ 2,642,855	\$ 4,335,314
Changes for the year:			
Service cost	288,290	-	288,290
Interest	371,160	-	371,160
Differences between expected and actual experience	(173,307)	-	(173,307)
Changes in assumptions or other inputs	(147,188)	-	(147,188)
Contributions, employer	-	933,770	(933,770)
Net Investment Income	-	221,026	(221,026)
Benefit payments	(747,900)	(747,900)	
Administrative expense	-	(8,293)	8,293
Net changes	(408,945)	398,603	(807,548)
Balances at June 30, 2025	\$ 6,569,224	\$ 3,041,458	\$ 3,527,766

The District's net supplemental pension liability was measured as of June 30, 2025 and the total supplemental pension liability used to calculate the net supplemental pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	Merit increases of 0.2% to 5.7% plus inflationary increase of 3% per year
Investment rate of return	5.95%
Healthcare cost trend rates	6.5% then decreasing by 0.1% per year down to 4.5% and level thereafter

Mortality rates were based on the 2020 WRS Experience Tables for Active Employees and Healthy Retirees projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period 2021-2023.

The long-term rate of return was based upon the District's asset allocation an expected nominal returns as of June 30, 2025. Implicit in this rate is a 2.50% assumed rate of inflation.

School District of South Milwaukee

Notes to Financial Statements
June 30, 2025

Trust assets are included with the same trust as the OPEB plan previously discussed.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 5.95% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1-percentage-point lower (4.95%) or 1-percentage-point higher (6.95%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 3,831,365	\$ 3,527,766	\$ 3,239,724

Pension Expense and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the District recognized pension expense of \$418,934. At June 30, 2025, the District reported deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 194,269
Changes of assumptions or other inputs	610,311
Net difference between projected and actual earning on pension plan investments	<u>67,473</u>
Total	<u>\$ 872,053</u>

Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30:

2026	\$ (98,569)
2027	(98,569)
2028	(98,571)
2029	(94,956)
2030	(80,798)
Thereafter	(400,590)

Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

School District of South Milwaukee

Budgetary Comparison Schedule -

General Fund

Year Ended June 30, 2025

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 12,007,968	\$ 12,007,968	\$ 12,007,968	\$ -
Other local sources	422,000	422,000	936,927	514,927
Interdistrict sources	3,357,163	3,357,163	3,324,065	(33,098)
Intermediate sources	-	-	1,720	1,720
State sources	28,594,826	28,594,826	28,859,460	264,634
Federal sources	1,710,552	1,777,929	1,814,891	36,962
Other sources	30,000	30,000	63,494	33,494
Total revenues	46,122,509	46,189,886	47,008,525	818,639
Expenditures				
Instruction:				
Regular instruction	20,050,836	20,069,438	19,613,054	456,384
Vocational instruction	1,630,188	1,630,438	1,595,087	35,351
Other instruction	1,403,061	1,430,447	1,429,620	827
Total instruction	23,084,085	23,130,323	22,637,761	492,562
Support services:				
Pupil services	1,783,875	1,785,875	1,722,944	62,931
Instructional staff services	3,742,330	3,813,148	3,751,428	61,720
Administration	3,979,041	3,978,447	4,053,807	(75,360)
Buildings and grounds	5,218,019	5,042,934	4,475,712	567,222
Transportation	208,515	208,515	158,868	49,647
Other support services	1,533,487	1,557,487	1,470,352	87,135
Total support services	16,465,267	16,386,406	15,633,111	753,295
Total expenditures	39,549,352	39,516,729	38,270,872	1,245,857
Excess of revenues over expenditures	6,573,157	6,673,157	8,737,653	2,064,496
Other Financing Sources (Uses)				
Sales of capital assets	-	-	3,672	3,672
Transfers out	(6,573,157)	(6,673,157)	(8,572,012)	(1,898,855)
Total other financing sources (uses)	(6,573,157)	(6,673,157)	(8,568,340)	(1,895,183)
Net change in fund balance	\$ -	\$ -	169,313	\$ 169,313
Fund Balance, Beginning			8,716,681	
Fund Balance, Ending			<u>\$ 8,885,994</u>	

See notes to required supplementary information

School District of South Milwaukee

Budgetary Comparison Schedule -

Special Education Fund

Year Ended June 30, 2025

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Interdistrict sources	\$ -	\$ -	\$ 30,000	\$ 30,000
Intermediate sources	5,000	5,000	10,085	5,085
State sources	2,190,000	2,190,000	2,167,385	(22,615)
Federal sources	790,459	876,838	779,813	(97,025)
Total revenues	2,985,459	3,071,838	2,987,283	(84,555)
Expenditures				
Instruction:				
Special instruction	6,528,326	6,582,618	6,790,047	(207,429)
Total instruction	6,528,326	6,582,618	6,790,047	(207,429)
Support services:				
Pupil services	1,257,391	1,273,478	1,090,385	183,093
Instructional staff services	231,742	247,742	260,728	(12,986)
Transportation	270,000	270,000	450,371	(180,371)
Total support services	1,759,133	1,791,220	1,801,484	(10,264)
Total expenditures	8,287,459	8,373,838	8,591,531	(217,693)
Deficiency of revenues under expenditures	(5,302,000)	(5,302,000)	(5,604,248)	(302,248)
Other Financing Sources				
Transfer in	5,302,000	5,302,000	5,604,248	302,248
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance, Beginning			-	
Fund Balance, Ending			\$ -	

See notes to required supplementary information

School District of South Milwaukee

Budgetary Comparison Schedule -

Community Service

Year Ended June 30, 2025

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,580,087	\$ 1,580,087	\$ 1,580,087	\$ -
Other local sources	701,935	701,935	832,824	130,889
Other sources	-	-	1,029	1,029
Total revenues	<u>2,282,022</u>	<u>2,282,022</u>	<u>2,413,940</u>	<u>131,918</u>
Expenditures				
Community service	<u>1,635,983</u>	<u>1,616,983</u>	<u>1,690,213</u>	<u>(73,230)</u>
Support services:				
Buildings and grounds	646,039	665,039	136,134	528,905
Other support services	-	-	5,102	(5,102)
Total support services	<u>646,039</u>	<u>665,039</u>	<u>141,236</u>	<u>523,803</u>
Total expenditures	<u>2,282,022</u>	<u>2,282,022</u>	<u>1,831,449</u>	<u>450,573</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	582,491	<u>\$ 582,491</u>
Fund Balance, Beginning			<u>2,044,125</u>	
Fund Balance, Ending			<u>\$ 2,626,616</u>	

See notes to required supplementary information

School District of South Milwaukee

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 42,118	\$ 39,922	\$ 588,750	\$ 568,566	\$ 583,771	\$ 485,286	\$ 505,195	\$ 486,417	\$ 454,261
Interest	34,691	38,031	287,916	167,480	191,989	434,054	439,291	572,837	597,736
Differences between expected and actual experience	(178,872)	(76,260)	160,715	(1,748,331)	(485,731)	(3,586,292)	-	59,942	(26,883)
Changes of assumptions	(12,280)	-	117,810	(625,955)	41,947	506,986	-	534,024	22,665
Changes in accounting principle	-	-	(7,876,180)	-	-	-	-	-	-
Benefit payments	(65,985)	(61,050)	(785,795)	(1,080,196)	(1,162,463)	(993,716)	(1,388,704)	(1,406,670)	(1,157,512)
Net change in total OPEB liability	(180,328)	(59,357)	(7,506,784)	(2,718,436)	(830,487)	(3,153,682)	(444,218)	246,550	(109,733)
Total OPEB Liability, Beginning	<u>642,681</u>	<u>702,038</u>	<u>8,208,822</u>	<u>10,927,258</u>	<u>11,757,745</u>	<u>14,911,427</u>	<u>15,355,645</u>	<u>15,109,095</u>	<u>15,218,828</u>
Total OPEB Liability, Ending (a)	<u>\$ 462,353</u>	<u>\$ 642,681</u>	<u>\$ 702,038</u>	<u>\$ 8,208,822</u>	<u>\$ 10,927,258</u>	<u>\$ 11,757,745</u>	<u>\$ 14,911,427</u>	<u>\$ 15,355,645</u>	<u>\$ 15,109,095</u>
Plan Fiduciary Net Position									
Contributions, employer	\$ 76,074	\$ 3,000	\$ 1,378,633	\$ 1,466,677	\$ 1,331,393	\$ 1,421,155	\$ 1,200,464	\$ 1,393,817	\$ 1,335,770
Net investment income	2,655	6,051	101,600	(112,636)	73,776	22,209	23,814	17,378	13,387
Benefit payments	(65,985)	(61,050)	(785,795)	(1,080,196)	(1,162,463)	(993,716)	(1,388,704)	(1,406,670)	(1,157,512)
Administrative expense	(99)	(251)	(4,233)	-	-	-	-	-	-
Other adjustments	-	-	(1,951,036)	-	-	-	-	-	-
Net change in plan fiduciary net position	12,645	(52,250)	(1,260,831)	273,845	242,706	449,648	(164,426)	4,525	191,645
Plan Fiduciary Net Position, Beginning	<u>31,750</u>	<u>84,000</u>	<u>1,344,831</u>	<u>1,070,986</u>	<u>828,280</u>	<u>378,228</u>	<u>542,654</u>	<u>538,129</u>	<u>346,484</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 44,395</u>	<u>\$ 31,750</u>	<u>\$ 84,000</u>	<u>\$ 1,344,831</u>	<u>\$ 1,070,986</u>	<u>\$ 827,876</u>	<u>\$ 378,228</u>	<u>\$ 542,654</u>	<u>\$ 538,129</u>
Net OPEB Liability, Ending (a) - (b)	<u>\$ 417,958</u>	<u>\$ 610,931</u>	<u>\$ 618,038</u>	<u>\$ 6,863,991</u>	<u>\$ 9,856,272</u>	<u>\$ 10,929,869</u>	<u>\$ 14,533,199</u>	<u>\$ 14,812,991</u>	<u>\$ 14,570,966</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.60%	4.94%	11.97%	16.38%	9.80%	7.04%	2.54%	3.53%	3.56%
Covered-employee payroll	\$ 21,973,504	\$ 19,554,033	\$ 19,554,033	\$ 21,400,056	\$ 21,394,414	\$ 20,686,072	\$ 20,153,040	\$ 19,928,935	\$ 19,163,699
Net OPEB liability as a percentage of covered-employee payroll	1.90%	3.12%	3.16%	32.07%	46.07%	52.84%	72.11%	74.33%	76.03%

See notes to required supplementary information

School District of South Milwaukee

Schedule of Employer Contributions - OPEB

Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially contractual determined contribution	\$ 84,642	\$ 84,642	\$ 174,787	\$ 585,134	\$ 1,181,237	\$ 1,252,715	\$ 1,008,375	\$ 1,058,822	N/A
Contributions in relation to the actuarially determined contribution	76,074	3,000	1,378,633	1,466,677	1,331,393	1,421,155	1,200,868	1,393,817	N/A
Contribution deficiency (excess)	<u>\$ 8,568</u>	<u>\$ 81,642</u>	<u>\$ (1,203,846)</u>	<u>\$ (881,543)</u>	<u>\$ (150,156)</u>	<u>\$ (168,440)</u>	<u>\$ (192,493)</u>	<u>\$ (334,995)</u>	<u>N/A</u>
Covered-employee payroll	\$ 21,973,504	\$ 19,554,033	\$ 19,554,033	\$ 21,400,056	\$ 21,394,414	\$ 20,686,072	\$ 20,153,040	\$ 19,928,935	N/A
Contributions as a percentage of covered-employee payroll	0.35%	0.02%	7.05%	6.85%	6.22%	6.87%	5.96%	6.99%	N/A

Schedule of Annual Money-Weighted Rate of Return on Investments - OPEB and

Supplemental Pension Plan

Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Money-weighted rate of return	14.6%	8.7%	0.4%	-0.4%	11.2%	5.2%	5.9%	3.2%	2.5%

See notes to required supplementary information

School District of South Milwaukee

Schedule of Changes in the District's Net Pension Liability and Related Ratios -
Supplemental Pension Plan
Year Ended June 30, 2025

	2025	2024	2023
Total Pension Liability			
Service cost	\$ 288,290	\$ 273,261	\$ -
Interest	371,160	381,732	-
Differences between expected and actual experience	(173,307)	(41,151)	-
Change in accounting principle	-	-	7,876,180
Changes of assumptions	(147,188)	-	(632,593)
Benefit payments	(747,900)	(879,260)	-
Net change in total pension liability	(408,945)	(265,418)	7,243,587
Total Pension Liability, Beginning	6,978,169	7,243,587	-
Total Pension Liability, Ending (a)	<u>\$ 6,569,224</u>	<u>\$ 6,978,169</u>	<u>\$ 7,243,587</u>
Plan Fiduciary Net Position			
Contributions, employer	\$ 933,770	\$ 1,436,363	\$ -
Net investment income	221,026	140,539	-
Benefit payments	(747,900)	(879,260)	-
Administrative Expense	(8,293)	(5,823)	-
Other adjustments	-	-	1,951,036
Net change in plan fiduciary net position	398,603	691,819	1,951,036
Plan Fiduciary Net Position, Beginning	2,642,855	1,951,036	-
Plan Fiduciary Net Position, Ending (b)	<u>\$ 3,041,458</u>	<u>\$ 2,642,855</u>	<u>\$ 1,951,036</u>
Net Pension Liability, Ending (a) - (b)	<u>\$ 3,527,766</u>	<u>\$ 4,335,314</u>	<u>\$ 5,292,551</u>
Plan fiduciary net position as a percentage of the total Pension liability	46.30%	37.87%	26.93%
Covered-employee payroll	\$ 21,723,362	\$ 19,314,759	\$ 19,314,759
Net pension liability as a percentage of covered-employee payroll	16.24%	22.45%	27.40%

Schedule of Employer Contributions -
Supplemental Pension Plan
Year Ended June 30, 2025

	2025	2024	2023
Actuarially contractual determined contribution	\$ 902,381	\$ 1,347,748	N/A
Contributions in relation to the actuarially determined contribution	933,770	1,436,363	N/A
Contribution deficiency (excess)	<u>\$ (31,389)</u>	<u>\$ (88,615)</u>	<u>N/A</u>
Covered-employee payroll	\$ 21,723,362	\$ 19,314,759	N/A
Contributions as a percentage of covered-employee payroll	4.30%	7.44%	N/A

See notes to required supplementary information

School District of South Milwaukee

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) -
 Wisconsin Retirement System (WRS)
 Year Ended June 30, 2025

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2024	0.00124465 %	\$ 2,045,166	\$ 25,208,201	8.11 %	98.79 %
12/31/2023	0.00131400	1,953,266	24,008,816	8.14	98.85
12/31/2022	0.00136600	7,236,032	23,514,149	30.77	95.72
12/31/2021	0.00138900	(11,201,911)	23,938,712	46.79	106.02
12/31/2020	0.00139100	(8,687,083)	23,160,616	37.51	105.26
12/31/2019	0.00140500	(4,529,820)	21,826,434	20.75	102.96
12/31/2018	0.00143000	5,086,949	21,420,202	23.75	96.45
12/31/2017	0.00144700	(4,294,899)	21,280,532	20.18	102.93
12/31/2016	0.00145800	1,201,481	20,809,042	5.77	99.12
12/31/2015	0.00147100	2,390,242	20,589,535	11.61	98.20

Schedule of Employer Contributions -
 Wisconsin Retirement System (WRS)
 Year Ended June 30, 2025

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2025	\$ 1,623,334	\$ 1,623,334	\$ -	\$ 26,204,452	6.19 %
6/30/2024	1,651,380	1,651,380	-	24,000,816	6.88
6/30/2023	1,538,044	1,538,044	-	23,514,149	6.54
6/30/2022	1,625,572	1,625,572	-	23,938,712	6.79
6/30/2021	1,575,921	1,575,921	-	23,160,616	6.80
6/30/2020	1,440,918	1,440,918	-	21,846,434	6.60
6/30/2019	1,443,839	1,443,839	-	21,420,202	6.74
6/30/2018	1,454,146	1,454,146	-	21,280,532	6.83
6/30/2017	1,382,919	1,382,919	-	20,809,042	6.65
6/30/2016	1,401,235	1,401,235	-	20,589,535	6.81

See notes to required supplementary information

School District of South Milwaukee

Notes to Required Supplementary Information
Year Ended June 30, 2025

1. Budgetary Information

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. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes.

The budgeted amounts presented include any amendments made. 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. Budgets are adopted at the function level of expenditures in the general fund and at the fund level for all other funds.

2. Other Postemployment Benefit (OPEB) Plan

The District implemented GASB Statement No. 74 and 75 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

The District is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Changes in benefit terms. There were no changes of benefit terms.

Changes in assumptions. The discount rate changed to 5.95% from 5.50%.

3. Supplemental Pension Plan

The District implemented GASB Statement No. 68 for the supplemental pension plan in fiscal year 2023. Information prior to fiscal year 2023 is not available.

The District is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Changes in benefit terms. There were no changes of benefit terms.

Changes in assumptions. The discount rate changed to 5.95% from 5.50%.

4. Wisconsin Retirement System (WRS) Pension

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

School District of South Milwaukee

Notes to Required Supplementary Information
Year Ended June 30, 2025

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

SUPPLEMENTARY INFORMATION

School District of South Milwaukee

Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Gift	Food Service	SWSA	
Assets				
Cash and investments	\$ 1,323,695	\$ 1,015,350	\$ -	\$ 2,339,045
Taxes receivable	-	-	-	-
Accounts receivable	-	12,210	-	12,210
Due from other governments	-	43,891	181,592	225,483
Prepaid items	4,000	-	-	4,000
Total assets	<u>\$ 1,327,695</u>	<u>\$ 1,071,451</u>	<u>\$ 181,592</u>	<u>\$ 2,580,738</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 50,086	\$ 1,046	\$ 25,338	\$ 76,470
Accrued liabilities	-	13,872	-	13,872
Unearned revenues	-	1,603	28,986	30,589
Due to other funds	-	-	127,268	127,268
Total liabilities	<u>50,086</u>	<u>16,521</u>	<u>181,592</u>	<u>248,199</u>
Fund Balances				
Nonspendable	4,000	-	-	4,000
Restricted	1,273,609	1,054,930	-	2,328,539
Total fund balances	<u>1,277,609</u>	<u>1,054,930</u>	<u>-</u>	<u>2,332,539</u>
Total liabilities and fund balances	<u>\$ 1,327,695</u>	<u>\$ 1,071,451</u>	<u>\$ 181,592</u>	<u>\$ 2,580,738</u>

School District of South Milwaukee

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds				
	(Previous Year Nonmajor Fund)				
	Gift	Food Service	Community Service	SWSA	Total Nonmajor Governmental Funds
Revenues					
Other local sources	\$ 485,122	\$ 601,715	\$ -	\$ -	\$ 1,086,837
Interdistrict sources	-	-	-	83,328	83,328
State sources	-	22,684	-	63,311	85,995
Federal sources	-	1,162,776	-	118,281	1,281,057
Total revenues	485,122	1,787,175	-	264,920	2,537,217
Expenditures					
Instruction:					
Regular instruction	139,103	-	-	-	139,103
Vocational instruction	-	-	-	56,832	56,832
Other instruction	224,941	-	-	-	224,941
Total instruction	364,044	-	-	56,832	420,876
Support services:					
Instructional support	70,631	-	-	124,011	194,642
Administration	-	-	-	81,634	81,634
Buildings and grounds	8,543	114,060	-	-	122,603
Transportation	-	-	-	748	748
Other support services	-	19,851	-	1,695	21,546
Food service	-	1,844,016	-	-	1,844,016
Total support services	79,174	1,977,927	-	208,088	2,265,189
Total expenditures	443,218	1,977,927	-	264,920	2,686,065
Excess of revenues over (under) expenditures	41,904	(190,752)	-	-	(148,848)
Other Financing Sources					
Transfers in	-	42,764	-	-	42,764
Total other financing sources	-	42,764	-	-	42,764
Net change in fund balances	41,904	(147,988)	-	-	(106,084)
Fund Balances, Beginning, as Previously Reported	1,235,705	1,202,918	2,044,125	-	4,482,748
Accounting changes (see note disclosure)	-	-	(2,044,125)	-	(2,044,125)
Fund Balances, Beginning, as Adjusted	1,235,705	1,202,918	-	-	2,438,623
Fund Balances, Ending	\$ 1,277,609	\$ 1,054,930	\$ -	\$ -	\$ 2,332,539