

**SHOREWOOD SCHOOL DISTRICT
SHOREWOOD, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 June 30, 2016

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Shorewood, Wisconsin
June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Shorewood School District
Shorewood, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shorewood School District, ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B.1, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As discussed in Note C.3, the District also implemented GASB No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Now Within the Scope of GASB Statement 68*. Our opinions are not modified with respect to these matters.

As discussed in Note C.9, the District recorded a prior period adjustment in its Shorewood School District Trust Fund for Post-Employment Benefits (fiduciary fund) to recognize District financial resources set aside in prior years for retiree's HRA plan. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 38 through 44 be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

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

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

Report on Summarized Financial Information

We have previously audited the District's 2015 financial statements, and our report dated November 30, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



Certified Public Accountants
Green Bay, Wisconsin
March 9, 2017

BASIC FINANCIAL STATEMENTS

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Statement of Net Position
June 30, 2016
(With summarized financial information as of June 30, 2015)

	Governmental Activities	
	2016	2015
ASSETS		
Cash and investments	\$ 6,573,840	\$ 10,322,804
Receivables		
Taxes	1,961,707	1,635,395
Accounts	190,684	1,403,183
Due from other governments	731,692	325,741
Prepaid items	187,115	175,089
Other fund assets		
Net pension asset	-	2,440,970
Net OPEB asset	4,306,058	4,046,871
Capital assets		
Land	44,000	44,000
Construction in progress	874,029	-
Site improvements	5,224,271	5,159,138
Buildings	32,179,432	32,179,432
Machinery and equipment	6,182,549	6,348,769
Less: Accumulated depreciation	(18,911,444)	(17,864,990)
TOTAL ASSETS	39,543,933	46,216,402
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	8,780,467	2,133,226
Deferred charge on refunding	348,364	383,201
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,128,831	2,516,427
LIABILITIES		
Short-term notes payable	-	4,500,000
Accounts payable	518,983	309,789
Accrued payroll liabilities	817,099	983,438
Accrued interest payable	168,615	184,488
Deposits payable	302,465	289,361
Due to other governments	-	6,635
Unearned revenues	16,277	3,081
Long-term obligations		
Due within one year	2,214,621	2,049,621
Due in more than one year	19,232,040	21,688,425
Pension liability	2,552,604	-
TOTAL LIABILITIES	25,822,704	30,014,838
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	3,507,016	53,387
NET POSITION		
Net investment in capital assets	13,800,634	12,409,289
Restricted for		
Debt service	2,727,718	1,815,135
Food service program	3,157	-
Community service programs	398,837	795,201
Capital improvements	-	1,183,000
Pension benefits	-	2,440,970
Unrestricted	2,412,698	21,009
TOTAL NET POSITION	\$ 19,343,044	\$ 18,664,604

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin

Statement of Activities

For the Year Ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Total	
				Governmental Activities	
				2016	2015
Governmental Activities					
Instruction	\$ 17,032,585	\$ 1,668,810	\$ 3,429,824	\$ (11,933,951)	\$ (10,446,128)
Support services	9,407,750	201,285	246,381	(8,960,084)	(9,492,441)
Interest and fiscal charges	800,472	-	-	(800,472)	(821,079)
Community services	1,334,111	1,017,194	-	(316,917)	(221,578)
Non-program transactions	1,025,184	-	-	(1,025,184)	(443,803)
Depreciation - unallocated	1,254,574	-	-	(1,254,574)	(881,395)
Total Governmental Activities	\$ 30,854,676	\$ 2,887,289	\$ 3,676,205	(24,291,182)	(22,306,424)
General revenues					
Property taxes, levied for general purposes				15,019,928	14,620,562
Property taxes, levied for debt service				3,658,498	3,248,957
Property taxes, levied for community service				999,308	1,151,127
Other taxes				2,240	2,240
State and federal aids not restricted to specific functions				3,961,673	3,431,615
Interest and investment earnings				10,468	5,374
Miscellaneous				2,035,852	1,658,352
Total General Revenues				25,687,967	24,118,227
Change in net position				1,396,785	1,811,803
Net position - July 1, as previously reported				18,664,604	16,852,801
Cumulative effect of change in accounting principle				(718,345)	-
Net position - July 1, restated				17,946,259	16,852,801
Net position - June 30				\$ 19,343,044	\$ 18,664,604

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	General	Special Revenue Trust	Debt Service	
			Non-referendum	Referendum
ASSETS				
Cash and investments	\$ 1,015,112	\$ 2,166,053	\$ 136,430	\$ 2,759,903
Receivables				
Taxes	1,961,707	-	-	-
Accounts	167,838	-	-	-
Due from other funds	37,918	-	-	-
Due from other governments	709,900	-	-	-
Prepaid items	187,115	-	-	-
TOTAL ASSETS	\$ 4,079,590	\$ 2,166,053	\$ 136,430	\$ 2,759,903
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	438,508	32,055	-	-
Accrued salaries and related items	754,386	-	-	-
Deposits payable	302,465	5,476	-	-
Due to other funds	4,589	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	16,277	-	-	-
Total Liabilities	1,516,225	37,531	-	-
Fund Balances				
Nonspendable				
Prepaid items	187,115	-	-	-
Restricted				
Debt service	-	-	136,430	2,759,903
Food service program	-	-	-	-
Community service	-	-	-	-
Capital improvements	-	-	-	-
Assigned				
Gifts and donations from private parties	-	2,128,522	-	-
Unassigned (deficit), reported in				
General fund	2,376,250	-	-	-
Capital projects fund	-	-	-	-
Total Fund Balances	2,563,365	2,128,522	136,430	2,759,903
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,079,590	\$ 2,166,053	\$ 136,430	\$ 2,759,903

(Continued)

Capital Projects	Other Governmental Funds	Total Governmental Funds	
		2016	2015
\$ -	\$ 496,342	\$ 6,573,840	\$ 10,322,804
-	-	1,961,707	1,635,395
-	22,846	190,684	1,448,620
-	4,589	42,507	827,192
-	21,792	731,692	325,741
-	-	187,115	175,089
<hr/>			
\$ -	\$ 545,569	\$ 9,687,545	\$ 14,734,841

\$ -	\$ -	\$ -	\$ 4,500,000
-	48,420	518,983	355,225
-	57,237	811,623	983,438
-	-	307,941	289,361
-	37,918	42,507	827,192
-	-	-	6,635
-	-	16,277	3,081
-	143,575	1,697,331	6,964,932

-	-	187,115	175,089
-	-	2,896,333	1,999,623
-	3,157	3,157	-
-	398,837	398,837	795,201
-	-	-	1,183,000
-	-	2,128,522	1,517,894
-	-	2,376,250	2,666,422
-	-	-	(567,320)
-	401,994	7,990,214	7,769,909
<hr/>			
\$ -	\$ 545,569	\$ 9,687,545	\$ 14,734,841

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

(With summarized financial information as of June 30, 2015)

<u>Reconciliation to the Statement of Net Position</u>	2016	2015
Total Fund Balances from previous page	\$ 7,990,214	\$ 7,769,909
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,592,837	25,866,349
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset (liability)	(1,646,866)	2,440,970
Deferred outflow of resources	8,780,467	2,133,226
Deferred inflow of resources	(3,507,016)	(53,387)
Deferred outflow of resources is reported in Statement of Net Position for the loss on advance refunding.	348,364	383,201
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(21,050,000)	(23,080,000)
Premium on long-term debt	(252,249)	(271,871)
Other post-employment benefits	4,306,058	4,046,871
Pension obligation	(905,738)	(125,359)
Compensated absences	(144,412)	(260,817)
Accrued interest payable	(168,615)	(184,488)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	\$ 19,343,044	\$ 18,664,604

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016
 (With summarized financial information for the year ended June 30, 2015)

	General	Special Revenue Trust	Debt Service	
			Non-referendum	Referendum
Revenues				
Property taxes	\$ 15,019,928	\$ -	\$ 196,949	\$ 3,461,549
Other local sources	568,044	1,241,144	171	5,235
Interdistrict sources	1,271,616	-	-	-
Intermediate sources	8,640	-	-	-
State sources	6,582,079	-	-	-
Federal sources	652,324	-	-	-
Other sources	846,947	-	-	-
Total Revenues	24,949,578	1,241,144	197,120	3,466,784
Expenditures				
Instruction				
Regular instruction	11,801,064	387,373	-	-
Vocational instruction	-	-	-	-
Special education instruction	2,953,305	-	-	-
Other instruction	1,179,327	157,614	-	-
Total Instruction	15,933,696	544,987	-	-
Support Services				
Pupil services	1,077,210	1,998	-	-
Instructional staff services	1,235,600	140,620	-	-
General administration services	782,945	-	-	-
School administration services	1,158,374	1,656	-	-
Business services	643,580	-	-	-
Operation and maintenance of plant	2,333,987	1,124,120	-	-
Pupil transportation services	126,758	135	-	-
Food service	-	-	-	-
Central services	695,936	-	-	-
Insurance	162,650	-	-	-
Total Support Services	8,217,040	1,268,529	-	-
Community Services	-	-	-	-
Debt Service				
Principal	-	-	75,000	1,955,000
Interest and fiscal charges	63,935	-	121,949	615,245
Total Debt Service	63,935	-	196,949	2,570,245
Non-program				
General tuition payments	176,519	-	-	-
Special education tuition payments	140,167	-	-	-
Revenue transits to others	13,529	-	-	-
Adjustments and refunds	115,518	-	-	-
Total Non-program	445,733	-	-	-
Total Expenditures	24,660,404	1,813,516	196,949	2,570,245
Excess of Revenues Over (Under) Expenditures	289,174	(572,372)	171	896,539
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	-
Premium from debt issue	-	-	-	-
Payment to OPEB trust	-	-	-	-
Transfers out	(567,320)	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	(567,320)	-	-	-
Net Change in Fund Balances	(278,146)	(572,372)	171	896,539
Fund Balances - July 1	2,841,511	2,700,894	136,259	1,863,364
Fund Balances - June 30	\$ 2,563,365	\$ 2,128,522	\$ 136,430	\$ 2,759,903

(Continued)

Capital Projects	Other Governmental Funds	Total Governmental Funds	
		2016	2015
\$ -	\$ 999,308	\$ 19,677,734	\$ 19,020,646
-	1,219,934	3,034,528	3,182,915
-	-	1,271,616	1,280,273
-	-	8,640	20,094
-	5,039	6,587,118	6,215,108
-	172,553	824,877	925,812
-	-	846,947	247,157
-	2,396,834	32,251,460	30,892,005
-	-	12,188,437	11,388,962
-	-	-	3,817
-	-	2,953,305	2,948,102
-	-	1,336,941	1,133,178
-	-	16,478,683	15,474,059
-	-	1,079,208	999,117
-	-	1,376,220	1,400,487
-	64,659	847,604	778,215
-	-	1,160,030	1,064,509
-	33,052	676,632	767,881
-	315,260	3,773,367	3,333,107
-	10,889	137,782	238,846
-	373,897	373,897	394,257
-	1,080	697,016	620,092
-	97,695	260,345	295,531
-	896,532	10,382,101	9,892,042
-	1,314,058	1,314,058	1,199,914
-	-	2,030,000	1,835,000
-	-	801,129	743,593
-	-	2,831,129	2,578,593
-	-	176,519	201,086
-	-	140,167	188,467
-	-	13,529	-
-	579,451	694,969	54,250
-	579,451	1,025,184	443,803
-	2,790,041	32,031,155	29,588,411
-	(393,207)	220,305	1,303,594
-	-	-	5,055,000
-	-	-	73,159
-	-	-	(5,016,600)
-	-	(567,320)	(1,505,254)
567,320	-	567,320	1,505,254
567,320	-	-	111,559
567,320	(393,207)	220,305	1,415,153
(567,320)	795,201	7,769,909	6,354,756
\$ -	\$ 401,994	\$ 7,990,214	\$ 7,769,909

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2016
 (With summarized financial information for the year ended June 30, 2015)

	2016	2015
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 220,305	\$ 1,415,153
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 981,062	
Depreciation expense reported in the statement of activities	<u>(1,254,574)</u>	
Amount in which depreciation is (greater) less than capital outlays	(273,512)	(706,280)
Certain employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year. The accrual of these benefits increased by:	116,405	(4,908)
Changes in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(894,224)	100,706
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits differs from than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The Statement of Activities reports the ARC as the expense. The difference is:	259,187	4,437,038
The District's pay as you go payments related to its other pension plan differs from than the annual required contribution (ARC). The stipend payments are recorded as an expenditure when paid in the governmental statements. The Statement of Activities reports the ARC as the expense. The difference is:	(62,034)	(59,260)
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the Statement of Net Position, however, debt constitutes a long-term liability. The amount of debt issued is:	-	(5,055,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the Statement of Activities. The amount of long-term debt principal payments:		
General obligation debt retired by District	2,030,000	1,835,000
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the Statement of Activities interest is reported as it accrues.	15,873	(58,777)
The loss on advanced refunding is reported in the governmental fund as an expenditure. In the Statement of Activities, this cost is deferred and amortized over the life of the bonds.	(34,837)	(34,837)
Premiums and discounts are reported in the governmental fund as an expenditure. In the Statement of Activities, these costs are capitalized and amortized over the life of the bonds.	<u>19,622</u>	<u>(57,032)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 5)	<u>\$ 1,396,785</u>	<u>\$ 1,811,803</u>

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin
Statement of Net Position
Fiduciary Funds
June 30, 2016

(With summarized financial information as of June 30, 2015)

	Agency Fund	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
	Pupil Activity			2016	2015
ASSETS					
Cash and investments	\$ 109,099	\$ 1,266,914	\$ 8,667,023	\$ 10,043,036	\$ 11,694,514
Accounts receivable	-	-	261,100	261,100	45,436
TOTAL ASSETS	109,099	1,266,914	8,928,123	10,304,136	11,739,950
LIABILITIES					
Accounts payable	-	-	-	-	1,933
Other deposits payable	4,379	-	609,427	613,806	605,911
Payable to District	7,393	-	150,646	158,039	1,384,082
Due to parent organizations	19,693	-	-	19,693	13,996
Due to student organizations	77,634	-	-	77,634	119,549
TOTAL LIABILITIES	109,099	-	760,073	869,172	2,125,471
NET POSITION					
Restricted for					
Scholarships	-	1,266,914	-	1,266,914	1,359,344
Employee benefits	-	-	8,168,050	8,168,050	8,255,135
TOTAL NET POSITION	\$ -	\$ 1,266,914	\$ 8,168,050	\$ 9,434,964	\$ 9,614,479

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Statement of Changes in Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2016
 (With summarized financial information for the year ended June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2016	2015
ADDITIONS				
Contributions	\$ 47,563	\$ 414,312	\$ 461,875	\$ 5,208,909
Investment income	24,515	168,307	192,822	136,425
Total Additions	<u>72,078</u>	<u>582,619</u>	<u>654,697</u>	<u>5,345,334</u>
DEDUCTIONS				
Scholarship payments	120,948	-	120,948	75,456
Loss on investments	43,560	-	43,560	-
Employee benefit payments	-	669,704	669,704	1,058,282
Total Deductions	<u>164,508</u>	<u>669,704</u>	<u>834,212</u>	<u>1,133,738</u>
Change in Net Position	<u>(92,430)</u>	<u>(87,085)</u>	<u>(179,515)</u>	<u>4,211,596</u>
Net position - July 1, as previously reported	1,359,344	8,255,135	9,614,479	5,353,710
Prior period adjustment	-	-	-	49,173
Net position - July 1, restated	<u>1,359,344</u>	<u>8,255,135</u>	<u>9,614,479</u>	<u>5,402,883</u>
Net position - June 30	<u>\$ 1,266,914</u>	<u>\$ 8,168,050</u>	<u>\$ 9,434,964</u>	<u>\$ 9,614,479</u>

The notes to the basic financial statements are an integral part of this statement.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District is organized as a unified school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of one taxing district.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial activity that is not accounted for in another fund.

SPECIAL REVENUE TRUST SPECIAL REVENUE FUND

This fund is used to account for the donations received by the District.

NON-REFERENDUM AND REFERENDUM DEBT SERVICE FUNDS

These funds are used to account for financial resources for, and the payment of, general long-term debt principal, interest and related costs.

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

The District accounts for resources legally held in trust for scholarship awards as a *private-purpose trust fund*. Only earnings on the invested resources may be used to support the scholarships.

The District accounts for assets held for future payment of post-employment health benefits in an *employee benefit trust fund*.

The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent December 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

e. Capital Assets

Capital assets, which include property, buildings, machinery and equipment, and site improvements, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher with an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities Years
Site improvements	20
Buildings	50
Machinery and equipment	5 - 20

f. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. The District employees are also granted vacation days in varying amounts based on length of service. Upon retirement or termination of employment, the employees are paid for the unused portion. All vacation leave is accrued when incurred in the district-wide statements. Expenditures for these benefits are recognized as paid in the fund financial statements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category on the statement of net position. The item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

h. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense during the current period.

In the fund financial statements, governmental fund types recognize bond issuance costs, bond premium and discounts during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures while bond premiums and discounts are recorded as other financing sources or uses.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

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

j. Net Position/Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The fund balance policy has not addressed the authority of which district personnel have the ability to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISTRICT-WIDE STATEMENTS

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflow of resources.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed 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.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$16,616,876 on June 30, 2016 as summarized below:

Petty cash funds	\$ 200
Deposits with financial institutions	3,230,445
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	3,552,716
Investment series	89
U.S. Treasuries	59,921
Money market mutual funds	76,352
Exchange tracked fund	24,979
Common stock	945,024
Mutual bond funds	60,127
Annuity contract	8,667,023
	<u>\$ 16,616,876</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 6,573,840
Fiduciary Funds Statement of Net Position	
Agency fund	109,099
Private purpose trust fund	1,266,914
Employee benefit trust fund	8,667,023
	<u>\$ 16,616,876</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

On June 30, 2016, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations; however trust fund investments can include investments with lower ratings. The District does not have an additional credit risk policy. Presented below is the actual rating as of year-end for investment types requiring disclosure.

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin Investment Series					
Cooperative (WISC)					
Cash management series	\$ 3,352,716	\$ 3,352,716	\$ -	\$ -	\$ -
Investment series	89	89	-	-	-
U.S. Treasuries	59,921	59,921	-	-	-
Mutual bond funds	60,127	-	60,127	-	-
Totals	\$ 3,472,853	\$ 3,412,726	\$ 60,127	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Wisconsin Investment Series					
Cooperative (WISC)					
Cash management series	\$ 3,552,716	\$ -	\$ 3,552,716	\$ -	\$ -
Investment series	89	-	89	-	-
Mutual bond funds	60,127	60,127	-	-	-
U.S. Treasuries	59,921	59,921	-	-	-
Annuity contract	8,667,023	-	-	-	8,667,023
Stocks	945,024	-	-	-	945,024
Exchange traded funds	24,979	-	-	-	24,979
Money market mutual funds	76,352	-	-	-	76,352
Totals	\$ 13,386,231	\$ 120,048	\$ 3,552,805	\$ -	\$ 9,713,378

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. 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 observable inputs; Level 3 inputs are significant unobservable inputs.

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. Treasury securities	\$ -	\$ 59,920	\$ -
Common stock	945,024	-	-
Mutual bond funds	60,127	-	-
Exchange traded funds	24,979	-	-
Total investments by fair value level	<u>\$ 1,030,130</u>	<u>\$ 59,920</u>	<u>\$ -</u>

Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$8,667,023 invested in the fixed interest annuities with American United Life Insurance Company® (AUL), a OneAmerica® company. These fixed interest annuities are backed by AUL's general account assets. AUL bears the investment risk for the AUL Fixed Interest Account values and for paying interest.

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$3,552,805 at year end consisting of \$3,552,716 invested in the Cash Management Series and \$89 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 44,000	\$ -	\$ -	\$ 44,000
Construction in progress	-	874,029	-	874,029
Total capital assets, not being depreciated	44,000	874,029	-	918,029
Capital assets, being depreciated:				
Site improvements	5,159,138	65,133	-	5,224,271
Buildings	32,179,432	-	-	32,179,432
Machinery and equipment	6,348,769	41,900	208,120	6,182,549
Total capital assets being depreciated	43,687,339	107,033	208,120	43,586,252
Less accumulated depreciation for:				
Site improvements	1,491,903	248,183	-	1,740,086
Buildings	11,502,026	583,900	-	12,085,926
Machinery and equipment	4,871,061	422,491	208,120	5,085,432
Total accumulated depreciation	17,864,990	1,254,574	208,120	18,911,444
Total capital assets, being depreciated, net	25,822,349	(1,147,541)	-	24,674,808
Governmental activities capital assets, net	\$ 25,866,349	\$ (273,512)	\$ -	25,592,837
Less:				
Capital related general obligation debt				12,085,000
Capital related debt premium				55,567
Add:				
Deferred outflows of resources - loss on advance refunding				348,364
Net investment in capital assets				<u>\$ 13,800,634</u>

Depreciation expense was charged to the following functions of the District as follows:

Governmental activities	
Unallocated	<u>\$ 1,254,574</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances		
General	\$ 37,918	\$ -
Food service	-	37,918
Operating accounts		
General	-	4,589
Community services	4,589	-
Total	<u>\$ 42,507</u>	<u>\$ 42,507</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers between individual funds of the District as of June 30, 2016 are detailed below:

	Transfer to:
	Capital Project
Transfers from: General fund	<u>\$ 567,320</u>

The transfer represents an amount transferred to the Capital Projects Fund to cover the negative fund balance.

4. Short-term Obligations

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. The District also issued short-term debt in advance of a general obligation debt issue. Short-term debt activity for the year ended June 30, 2016 was as follows:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16
Tax and Revenue Anticipation Promissory Notes				
\$4,500,000 issued 10/3/14; \$4,500,000 due 8/21/15; interest 1.00%	\$ 4,500,000	\$ -	\$ 4,500,000	\$ -
\$2,500,000 issued 10/13/15; \$2,500,000 due 1/26/2016; interest 1.00%	-	2,500,000	2,500,000	-
\$2,000,000 issued 10/13/15; \$2,000,000 due 6/23/2016; interest 1.00%	-	2,000,000	2,000,000	-
	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>

Total interest paid for the year on short-term debt totaled \$60,792.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2016:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$17,750,000	\$ -	\$ 600,000	\$17,150,000	\$ 705,000
Notes	5,330,000	-	1,430,000	3,900,000	1,490,000
Total	23,080,000	-	2,030,000	21,050,000	2,195,000
Debt premium	271,870	-	19,621	252,249	19,621
Compensated absences	260,817	-	116,405	144,412	-
Governmental activities					
Long-term obligations	<u>\$23,612,687</u>	<u>\$ -</u>	<u>\$ 2,166,026</u>	<u>\$21,446,661</u>	<u>\$ 2,214,621</u>

Total interest paid during the year on long-term debt totaled \$737,193.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/16
Taxable Refunding Bonds	\$ 3,595,000	07/19/11	2.00% - 4.60%	04/01/26	\$ 2,815,000
Taxable Refunding Bonds	5,060,000	09/27/11	2.00% - 4.30%	04/01/31	4,035,000
General Obligation School Improvement Bonds	5,515,000	02/01/13	2.00% - 3.00%	10/01/28	5,370,000
General Obligation Refunding Bonds	5,055,000	04/01/15	3.00% - 3.95%	04/01/35	4,930,000
General Obligation Notes	6,480,000	07/30/08	3.00% - 4.00%	04/01/18	2,225,000
General Obligation Notes	3,170,000	06/01/10	2.00% - 3.50%	06/01/20	1,675,000
Total General Obligation Debt					<u><u>\$ 21,050,000</u></u>

Annual principal and interest maturities of the outstanding general obligation debt of \$21,050,000 on June 30, 2016 are detailed below:

Year Ended	Governmental Activities		
	Principal	Interest	Total
2017	\$ 2,195,000	\$ 673,556	\$ 2,868,556
2018	2,270,000	600,356	2,870,356
2019	1,195,000	522,982	1,717,982
2020	1,465,000	482,542	1,947,542
2021	1,075,000	435,502	1,510,502
2022-2026	6,835,000	1,601,894	8,436,894
2027-2031	4,705,000	654,794	5,359,794
2032-2035	1,310,000	128,518	1,438,518
	<u><u>\$ 21,050,000</u></u>	<u><u>\$ 5,100,144</u></u>	<u><u>\$ 26,150,144</u></u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2016 was \$130,959,351 as follows:

Equalized valuation of the District	\$ 1,494,502,457
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>149,450,246</u>
Total outstanding general obligation debt	\$ 21,050,000
Less: Amounts available for financing general obligation debt	
Debt service funds ⁽¹⁾	<u>2,559,105</u>
Net outstanding general obligation debt applicable to debt limitation	<u>18,490,895</u>
Legal Margin for New Debt	<u><u>\$ 130,959,351</u></u>

(1) Debt service funds less interest payments of \$337,228 due in 2016.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

6. Minimum Fund Balance

The Board of Education has adopted a policy that fund balance in the amount of 15% of general fund expenditures be maintained for cash flow management, reducing the need for short-term borrowing, safeguarding against unexpected expenses or unrealized revenues, and maintaining a high credit rating for the District. The unassigned general fund balance at June 30, 2016 is \$2,376,250. The minimum fund balance amount is calculated as follows:

Actual 2015-2016 General Fund Expenditures	\$	24,660,404
Minimum Fund Balance %		15%
Minimum Fund Balance Amount	\$	3,699,061

NOTE C - OTHER INFORMATION

1. Pension Liability

The District reports a pension liability of \$2,552,604, as summarized below:

Wisconsin Retirement System (WRS)	\$	1,646,866
Supplemental pension plan		905,738
Total Pension Liability	\$	2,552,604

2. Pension Plan – Wisconsin Retirement System (WRS)

a. Plan Description

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

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.

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

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

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

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

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

c. Contributions

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

During the reporting period, the WRS recognized \$1,010,990 in contributions from the District.

Contribution rates as of June 30, 2016 are:

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

SHOREWOOD SCHOOL DISTRICT
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 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

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

At June 30, 2016, the District reported a liability of \$1,646,866 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.10134681%, which was an increase of 0.00196987% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,975,796.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 273,188	\$ 3,465,801
Changes in assumptions	1,152,219	-
Net differences between projected and actual earnings on pension plan investments	6,725,160	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,908	41,215
Employer contributions subsequent to the measurement date	619,992	-
Total	\$ 8,780,467	\$ 3,507,016

\$619,992 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 2,117,114	\$ 850,902
2017	2,117,114	850,902
2018	2,117,114	850,902
2019	1,771,952	843,431
2020	37,181	110,879
Total	\$ 8,160,475	\$ 3,507,016

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

e. Actuarial Assumption

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

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

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

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

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

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

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

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 11,551,150	\$ 1,646,866	\$ (6,088,556)

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

f. Payable to the WRS

At June 30, 2016 the District reported a payable of \$340,971 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2016.

3. Pension Plan – Supplemental Pension Plan

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year ended June 30, 2016. As a result, the District recognized a cumulative effect of change in accounting principle of \$718,345, which reduced the District's net position as of June 30, 2015. The cumulative effect of change in accounting principle was calculated as follows:

Total Pension Liability, as of July 1, 2015	\$ 843,704
Less: Amount previously recognized by the District	125,359
Cumulative Effect of Change in Accounting Principle	\$ 718,345

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

a. Plan Description

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide a cash stipend to some retirees. The plan is administered by the District. The plan does not issue separate financial statements.

b. Plan Participants and Benefits Provided

A summary of plan participants, eligibility requirements and plan benefits follows:

Pension	Plan Participants	Eligibility Requirements		Benefit Duration	Plan Benefit
		Age	Service		
Administrators	11	55	15	Lump Sum	1 week of pay per year of service; maximum of 25 years of service
Teachers	157	55	15	Lump Sum	Daily rate times years of service, plus \$1,000 for less than 25 years, \$2,000 for 25 - 29 years, \$3,000 for 30 - 34 years and \$3,500 for more than 35 years

c. Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

d. Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$843,704. With no plan assets, the unfunded actuarial accrued liability was also \$843,704.

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

Component	Amount
Balance at July 1, 2015	<u>\$ 843,704</u>
Changes for the year:	
Service cost	74,781
Interest	20,364
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(33,111)</u>
Net changes	<u>62,034</u>
Balance at June 30, 2016	<u><u>\$ 905,738</u></u>

The District has no deferred outflows or inflows of resources related to its supplemental pension plan.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

f. Actuarial Assumptions

The District's total pension liability was measured as of July 1, 2015 and rolled forward to June 30, 2016.

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percentage of salary, closed basis
Actuarial assumptions:	
Discount rate	2.30%
Inflation	3.00%

Single Discount rate. A single discount rate of 2.30% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investment.

Sensitivity of the District's total pension liability to changes in the discount rate. The following presents the District's total pension liability at July 1, 2015 calculated using the discount rate of 2.30 percent, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.30 percent) or 1-percentage-point higher (3.30 percent) than the current rate.

	1% Decrease to Discount Rate (1.30%)	Current Discount Rate (2.30%)	1% Increase to Discount Rate (3.30%)
July 1, 2015 Total Pension Liability	\$ 891,794	\$ 843,704	\$ 796,426

The sensitivity of the District's total pension liability was determined based on the actuarial date while the total pension liability of \$905,738 was based on the District's fiscal year ended June 30, 2016, as rolled forward by the District's actuary. Sensitivity information as of June 30, 2015 was not available.

4. Other Postemployment Benefits

The District has established the Shorewood School District Trust Fund for Post-Employment Benefits (the "Plan") which provides eligible employees and former employees of the District (the "Participants") health and dental benefits. The Plan is reported as a fiduciary fund of the District and the significant accounting policies of the Plan are consistent with the District's significant accounting policies discussed in Note A. The Plan financial statements are prepared on the accrual basis of accounting.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

a. Plan Description and Contribution Information

Membership of the Plan at July 1, 2015, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	156	18	174
Administrators	11	2	13
Secretarial/Clerical	18	3	21
Custodial/Maintenance	20	2	22
Others	12	-	12
Total	217	25	242

Plan Description. The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District accumulated sick leave and stipend pay for certain employees has also been included. Eligible retired employees have access to group medical coverage through the District's self-insured group plans. District paid medical benefits for the retiree and spouse last until eligible for Medicare. Retired teachers and spouses receive varying amounts of coverage until the earlier of 100 months or eligibility for Medicare. Effective July 1, 2014, the District changed the benefits for all employees retiring July 1, 2014 and later. These retirees will now receive HRA account funds at retirement that can be used to pay for health insurance. The District is currently accounting for the deposits to the HRA accounts during the years of employment, and the OPEB liability reported by the District excludes the value of the HRA accounts. As of June 30, 2016, the District has assets of \$6,978,069 held by the District in the Shorewood School District Trust Fund for Post-Employment Benefits for the future benefit of employees, both current and retirees. As of June 30, 2016, \$609,427 of these assets are considered vested because the employee left the District, and is recorded as a liability in the trust.

All employees of the District are eligible for the Plan if they meet the following age and service requirements:

OPEB	Eligibility Requirements		Hire Date	Retire Date	Benefit Duration	Benefit Amount
	Age	Service				
Administrators	55	15	Before 7/1/2007	Before 7/1/2014	Medicare Eligibility	87.4% of health insurance premiums
	55		Before 7/1/2007	After 7/1/2014	NA	The school district will contribute a specified amount into an HRA account. The amount is based on the number of years of service as of 7/1/14 and is increased by \$500 each year until retirement. The HRA account earns interest beginning 7/1/14.
	57		After 7/1/2007	After 7/1/2014	NA	Beginning in the school year that the administrator attains age 50 and ending in the school year that the administrator attains age 57, the school district will contribute \$25,000 per year into a health reimbursement account (HRA) for that administrator.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

OPEB	Eligibility Requirements		Hire Date	Retire Date	Benefit Duration	Benefit Amount
	Age	Service				
Teachers	57	15	Before 7/1/2006	Before 7/1/2014	Medicare eligibility	87.4% of health insurance premiums
	57	18	After 7/1/2006	Before 7/1/2014	Medicare eligibility	87.4% of health insurance premiums
	57	15	Before 7/1/2006	After 7/1/14		The school district will contribute a specified amount into an HRA account. The amount is based on the number of years of service as of 7/1/14 and is increased by \$500 each year until retirement. The HRA account earns interest beginning 7/1/14.
	57		After 7/1/2006	After 7/1/14		Years of service x \$1,600
Secretarial/Clerical	59	15	Before 7/1/2007	Before 7/1/14	Medicare Eligibility	87.4% of health insurance premiums
	59		Before 7/1/2007	After 7/1/14		The school district will contribute a specified amount into an HRA account. The amount is based on the number of years of service as of 7/1/14 and is increased by \$500 each year until retirement. The HRA account earns interest beginning 7/1/14.
	60		Between 7/1/06 and 6/30/07	After 7/1/14		Years of service x \$1,600
	60		7/1/07 or later	After 7/1/14		Years of service x \$2,000
Custodial	60	15	Before 7/1/2005	Before 7/1/14	Medicare Eligibility	90% of health insurance premiums
	60	15	Before 7/1/2005	After 7/1/14		The school district will contribute a specified amount into an HRA account. The amount is based on the number of years of service as of 7/1/14 and is increased by \$500 each year until retirement. The HRA account earns interest beginning 7/1/14.
	60	15	Between 7/1/05 and 6/30/09	After 7/1/14		The school district will contribute a specified amount into an HRA account. The amount is based on the number of years of service as of 7/1/14 and is increased by \$1,600 each year until retirement. The HRA account earns interest beginning 7/1/14.
	60	20	After 7/1/2009	After 7/1/14		Years of service x \$1,000

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

b. Annual OPEB Cost and Net OPEB Obligation

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

Component	Amount
Annual required contribution	\$ 174,159
Interest on net OPEB	(93,078)
Adjustment to annual required contribution	158,226
Annual OPEB cost (expense)	<u>239,307</u>
Contributions made	498,494
Change in net OPEB obligation	<u>(259,187)</u>
Net OPEB asset - beginning of year	(4,046,871)
Net OPEB asset - end of year	<u>\$ (4,306,058)</u>

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of salary, open basis
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	2.30%
Healthcare cost trend rate	9.9% 2016 to 7.5% 2017-2018 decreases by 0.5% per year thereafter
HRA account trend rate	3.00% per annum
Projected salary increases	3.00% per annum

Trend Information - The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Percentage of Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/14	\$ 566,508	\$ 568,760	104.0%	103.6%	\$ 390,167
6/30/15	579,562	581,075	865.6%	863.3%	(4,046,871)
6/30/16	239,307	174,159	208.3%	286.2%	(4,306,058)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

c. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AA) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll $[(b - a) / c]$
7/1/2013	\$ 4,406,126	\$ 8,055,433	\$ 3,649,307	54.7%	\$12,449,893	29.3%
7/1/2015	2,127,758	3,271,457	(106,203)	65.0%	13,921,805	-0.8%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

5. Risk Management

The District is exposed to various risks of loss related to torts; thefts, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. For all risks of loss, except employee health, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the coverage in the prior year.

6. Contingencies

a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management 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.

7. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- a. A resolution of the school board or by referendum prior to August 12, 1993.
- b. A referendum on or after August 12, 1993.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

8. Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The District will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The District is currently evaluating the impact these standards will have on the financial statements when adopted.

9. Prior Period Adjustment

Effective July 1, 2014, the District changed the other post-employment benefits for all employees retiring July 1, 2014 and later. These retirees will now receive HRA account funds at retirement that can be used to pay for health insurance. The District is currently accounting for the deposits to the HRA accounts during the years of employment, and the OPEB liability reported by the District excludes the value of the HRA accounts.

In the year ended June 30, 2015, the District issued general obligation debt and transferred assets of the Shorewood School District Trust Fund for Post-Employment Benefits to individual employee HRA accounts. Certain other contributions and investment income were not recognized, along with the vesting of the HRA benefit as a liability. As a result, the District recognized a prior period adjustment to recognize these transactions in the District's 2015 financial statements of the Shorewood School District Trust Fund for Post-Employment Benefits, as follows:

	Employee Benefit Trust Fund			Total Fiduciary Funds		
	Previously Reported	Adjusted	Change	Previously Reported	Adjusted	Change
ADDITIONS						
Contributions	\$ 5,062,036	\$ 5,203,509	\$ 141,473	\$ 5,067,436	\$ 5,208,909	\$ 141,473
Investment income	104,516	119,519	15,003	121,422	136,425	15,003
Total Additions	5,166,552	5,323,028	156,476	5,188,858	5,345,334	156,476
DEDUCTIONS						
Scholarship payments	-	-	-	75,456	75,456	-
Employee benefit payments	625,799	1,058,282	432,483	625,799	1,058,282	432,483
Total Deductions	625,799	1,058,282	432,483	701,255	1,133,738	432,483
Change in Net Position	4,540,753	4,264,746	(276,007)	4,487,603	4,211,596	(276,007)
Net position - July 1	3,941,216	3,990,389	49,173	5,353,710	5,402,883	49,173
Net Position - June 30	\$ 8,481,969	\$ 8,255,135	\$ (226,834)	\$ 9,841,313	\$ 9,614,479	\$ (226,834)

REQUIRED SUPPLEMENTARY INFORMATION

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 15,021,603	\$ 15,019,928	\$ 15,019,928	\$ -
Other local sources	535,689	545,689	568,044	22,355
Interdistrict sources	1,133,699	1,133,699	1,220,544	86,845
State sources	5,741,885	5,761,982	5,721,576	(40,406)
Federal sources	242,119	147,815	211,385	63,570
Other sources	95,000	472,074	785,441	313,367
Total Revenues	22,769,995	23,081,187	23,526,918	445,731
Expenditures				
Instruction				
Regular instruction	11,519,230	11,281,791	11,801,064	(519,273)
Other instruction	1,149,752	1,152,199	1,179,327	(27,128)
Total Instruction	12,668,982	12,433,990	12,980,391	(546,401)
Support Services				
Pupil services	613,281	644,829	688,220	(43,391)
Instructional staff services	1,046,751	1,093,932	1,021,240	72,692
General administration services	385,412	732,009	776,638	(44,629)
School administration services	1,103,488	1,100,112	1,158,374	(58,262)
Business services	576,006	575,851	643,580	(67,729)
Operation and maintenance of plant	2,720,241	2,720,206	2,333,987	386,219
Pupil transportation services	122,630	107,115	108,240	(1,125)
Central services	588,031	593,560	691,316	(97,756)
Insurance	282,921	282,921	162,650	120,271
Other support services	40,620	-	-	-
Total Support Services	7,479,381	7,850,535	7,584,245	266,290
Debt service				
Interest and fiscal charges	61,198	61,198	63,935	(2,737)
Non-program				
General tuition payments	240,780	240,780	176,519	64,261
Adjustments and refunds	6,550	18,644	81,367	(62,723)
Total Non-program	247,330	259,424	257,886	1,538
Total Expenditures	20,456,891	20,605,147	20,886,457	(281,310)
Excess of Revenues Over Expenditures	2,313,104	2,476,040	2,640,461	164,421
Other Financing Uses				
Transfers out	(2,410,473)	(2,410,473)	(2,918,607)	(508,134)
Net Change in Fund Balance	(97,369)	65,567	(278,146)	(343,713)
Fund Balance - July 1	2,841,511	2,841,511	2,841,511	-
Fund Balance - June 30	\$ 2,744,142	\$ 2,907,078	\$ 2,563,365	\$ (343,713)

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Special Education Fund - Budgetary Basis
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ -	\$ -	\$ 51,072	\$ 51,072
Intermediate sources	18,696	18,696	8,640	(10,056)
State sources	977,869	977,869	860,503	(117,366)
Federal sources	682,429	550,961	440,939	(110,022)
Other sources	-	-	61,506	61,506
Total Revenues	1,678,994	1,547,526	1,422,660	(124,866)
Expenditures				
Instruction				
Vocational instruction	100	-	-	-
Special education instruction	3,091,597	3,030,639	2,953,305	77,334
Other Instruction	11,012	11,012	-	11,012
Total Instruction	3,102,709	3,041,651	2,953,305	88,346
Support Services				
Pupil services	371,320	401,336	388,990	12,346
Instructional staff services	256,572	215,815	214,360	1,455
General administration services	-	4,000	6,307	(2,307)
Pupil transportation services	145,051	94,451	18,518	75,933
Operation and maintenance of plant	4,516	-	-	-
Central services	4,200	5,200	4,620	580
Total Support Services	781,659	720,802	632,795	88,007
Non-program				
Special education tuition payments	205,099	195,546	140,167	55,379
Revenue transits to others	-	-	13,529	(13,529)
Adjustments and refunds	-	-	34,151	(34,151)
Total Non-program	205,099	195,546	187,847	7,699
Total Expenditures	4,089,467	3,957,999	3,773,947	184,052
Excess of Revenues Under Expenditures	(2,410,473)	(2,410,473)	(2,351,287)	59,186
Other Financing Sources				
Transfers in	2,410,473	2,410,473	2,351,287	(59,186)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Employer Contributions
 Other Post-Employment Benefit Plan
 For the Year Ended June 30, 2016

Other Post-Employment Plan				
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	
2014	\$ 589,317	\$ 568,760	103.61%	
2015	5,016,600	581,075	863.33%	
2016	498,494	174,159	286.23%	

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Schedule of Changes in Pension Liability and Related Ratios
Supplemental Pension Benefit
Last 10 Fiscal Years*

	2016
Total Pension Liability	
Service cost	\$ 74,781
Interest	20,364
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(33,111)
Net change in total pension liability	62,034
Total pension liability - beginning	843,704
Total pension liability - ending (a)	\$ 905,738
Covered-employee payroll	\$ 11,286,199
District's net pension liability as a percentage of covered-employee payroll	8.03%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end. Information for prior years is not available.

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Funding Progress
 Other Post-Employment Benefit Plan
 For the Year Ended June 30, 2016

Other Post-Employment Plan						
Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets ⁽¹⁾	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2009	\$ 128,880	\$ 13,326,761	1.0%	\$ 13,197,881	N/A	N/A
2013	4,406,126	8,055,433	54.7%	3,649,307	12,449,893	29.3%
2015	2,127,758	3,271,457	65.0%	(1,143,699)	13,921,805	-8.2%

(1) The actuarial value of assets from the actuarial valuation was reduced by \$1,249,902 to reflect the settlement of liabilities existing as of June 30, 2015

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Proportionate Share of the Net Pension Liability (Asset)
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015	2016
Proportion of the net pension liability (asset)	0.09937694%	0.10134681%
Proportionate share of the net pension liability (asset)	\$ (2,440,970)	\$ 1,646,866
Covered-employee payroll	\$ 13,959,685	\$ 14,867,318
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015	2016
Contractually required contributions	\$ 985,105	\$ 1,010,990
Contributions in relation to the contractually required contributions	\$ 985,105	\$ 1,010,990
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 13,959,685	\$ 14,867,318
Contributions as a percentage of covered-employee payroll	7.06%	6.80%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

NOTE A - CHANGES IN ACTUARIAL ASSUMPTIONS

The July 1, 2015 actuarial valuation for the other post-employment benefits differs from the July 1, 2013 actuarial valuation due to the following factors:

- 1) Decreased the actuarial accrued liability (AAL) by \$3,726,000 due to establishing HRA accounts.
- 2) Increased the AAL by \$402,000 due to changing the discount rate.
- 3) Decreased the AAL by \$1,536,000 due to other causes, including the number of employees retiring/terminating employment different than expected.

NOTE B - WISCONSIN RETIREMENT SYSTEM

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

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements.

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1st through June 30th fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed fund balance in the fund financial statements.
- Encumbrance accounting is not used by the District.
- The DPI requires the District to separate the special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2016.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Required Supplementary Information
 For the Year Ended June 30, 2016

NOTE D - BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 23,526,918	\$ 1,422,660
Reclassification of special education	1,422,660	(1,422,660)
Total Revenues	<u>24,949,578</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	20,886,457	3,773,947
Reclassification of special education	3,773,947	(3,773,947)
Total Expenditures	<u>24,660,404</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,640,461	(2,351,287)
Reclassification of special education	(2,351,287)	2,351,287
Excess of Revenues Over (Under) Expenditures	<u>289,174</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,918,607)	2,351,287
Reclassification of special education	2,351,287	(2,351,287)
Total Other Financing Sources (Uses)	<u>(567,320)</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>(278,146)</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>2,841,511</u>	<u>-</u>
Fund Balance - June 30	<u><u>\$ 2,563,365</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTARY INFORMATION

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Community Service	Food Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 496,342	\$ -	\$ 496,342
Receivables			
Accounts	2,175	20,671	22,846
Due from other funds	4,589	-	4,589
Due from other governments	-	21,792	21,792
TOTAL ASSETS	\$ 503,106	\$ 42,463	\$ 545,569
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 47,032	\$ 1,388	\$ 48,420
Accrued payroll liabilities	57,237	-	57,237
Due to other funds	-	37,918	37,918
Total Liabilities	104,269	39,306	143,575
Fund Balances			
Restricted			
Food service program	-	3,157	3,157
Community service	398,837	-	398,837
Total Fund Balances	398,837	3,157	401,994
TOTAL LIABILITIES AND FUND BALANCES	\$ 503,106	\$ 42,463	\$ 545,569

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Community Service	Food Service	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 999,308	\$ -	\$ 999,308
Other local sources	1,018,061	201,873	1,219,934
State sources	-	5,039	5,039
Federal sources	-	172,553	172,553
Total Revenues	2,017,369	379,465	2,396,834
Expenditures			
Support Services			
General administration services	64,659	-	64,659
Business services	33,052	-	33,052
Operation and maintenance of plant	315,260	-	315,260
Pupil transportation services	10,889	-	10,889
Food service	-	373,897	373,897
Central service	1,080	-	1,080
Insurance	97,695	-	97,695
Total Support Services	522,635	373,897	896,532
Community Services	1,314,058	-	1,314,058
Adjustments and Refunds	577,040	2,411	579,451
Total Expenditures	2,413,733	376,308	2,790,041
Net Change in Fund Balances	(396,364)	3,157	(393,207)
Fund Balances - July 1	795,201	-	795,201
Fund Balances - June 30	\$ 398,837	\$ 3,157	\$ 401,994

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 For the Year Ended June 30, 2016

	Balance 7/1/15	Additions	Deletions	Balance 06/30/16
ASSETS				
Cash and investments	\$ 138,885	\$ 175,198	\$ 204,984	\$ 109,099
LIABILITIES				
Accounts payable	\$ 1,933	\$ -	\$ 1,933	\$ -
Other deposits payable	3,407	972	-	4,379
Payable to District	-	7,540	147	7,393
Due to parent organization	13,996	32,332	26,635	19,693
Due to student organizations	119,549	134,354	176,269	77,634
TOTAL LIABILITIES	\$ 138,885	\$ 175,198	\$ 204,984	\$ 109,099

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

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

To the Board of Education
Shorewood School District
Shorewood, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shorewood School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Shorewood School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated March 9, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Shorewood School District's Response to Findings

Shorewood School District's response to the findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Shorewood School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Certified Public Accountants
Green Bay, Wisconsin
March 9, 2017

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Board of Education
Shorewood School District
City, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Shorewood School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Shorewood School District's major federal and state programs for the year ended June 30, 2016. Shorewood School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants
Green Bay, Wisconsin
March 9, 2017

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures
U.S. Department of Agriculture								
<i>Child Nutrition Cluster</i>								
School Breakfast Program July 1, 2015 - June 30, 2016	WDPI	10.553	A546-00000-405356	\$ -	\$ 7,626	\$ 1,560	\$ 9,186	\$ 9,186
National School Lunch Program Cash Assistance: July 1, 2015 - June 30, 2016	WDPI	10.555	A547-00000-405355	-	113,705	20,387	134,092	134,092
Non-Cash Assistance (Commodities)	WDPI		A001-00000-405355	-	29,274	-	29,274	29,274
Total National School Lunch Program	WDPI			-	142,979	20,387	163,366	163,366
<i>Total Child Nutrition Cluster and U.S. Department of Agriculture</i>				-	150,605	21,947	172,552	172,552
U.S. Department of Education								
Title I Grants to Local Educational Agencies July 1, 2014 - June 30, 2015	WDPI	84.010	A141-00000-405355	(16,777)	16,777	-	-	-
July 1, 2015 - June 30, 2016	WDPI		A141-00000-405355	-	73,652	45,221	118,873	118,873
Total Title I Grants to Local Educational Agencies				(16,777)	90,429	45,221	118,873	118,873

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2016

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures
U.S. Department of Education (Continued)								
Special Education Cluster (IDEA)								
Special Education - Grants to States		84.027						
IDEA Flow-Through								
July 1, 2014 - June 30, 2015	WDPI		A341-00000-405355	(121,690)	121,690	-	-	-
July 1, 2015 - June 30, 2016	WDPI		A341-00000-405355	-	261,082	141,665	402,747	402,747
Total Special Education - Grants to States				(121,690)	382,772	141,665	402,747	402,747
Special Education - Preschool Grants		84.173						
July 1, 2015 - June 30, 2016	WDPI		A347-00000-405355	-	9,218	-	9,218	9,218
Total Special Education Cluster				(121,690)	391,990	141,665	411,965	411,965
English Language Acquisition State Grants		84.365						
July 1, 2014 - June 30, 2015	WDPI		A391-00000-405355	(1,332)	1,332	-	-	-
July 1, 2015 - June 30, 2016	WDPI		A391-00000-405355	-	13,921	7,679	21,600	21,600
Total English Language Acquisition State Grants				(1,332)	15,253	7,679	21,600	21,600
Improving Teacher Quality State Grants		84.367						
July 1, 2014 - June 30, 2015	WDPI		A365-00000-405355	(12,105)	12,105	-	-	-
July 1, 2015 - June 30, 2016	WDPI		A365-00000-405355	-	13,059	5,277	18,336	18,336
Total Improving Teacher Quality State Grants				(12,105)	25,164	5,277	18,336	18,336
Total U.S. Department of Education				(151,904)	522,836	199,842	570,774	570,774

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2016

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures
<u>U.S. Department of Health and Human Services</u>								
<i>Medicaid Cluster</i>								
Medical Assistance Program - School Based Services	WDHS	93.778	44234700	(14,332)	87,272	-	72,940	72,940
Total U.S. Department of Health and Human Services				<u>(14,332)</u>	<u>87,272</u>	<u>-</u>	<u>72,940</u>	<u>72,940</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ (166,236)</u>	<u>\$ 760,713</u>	<u>\$ 221,789</u>	<u>\$ 816,266</u>	<u>\$ 816,266</u>

Pass-Through Agencies

WDPI: Wisconsin Department of Public Instruction
 WDHS: Wisconsin Department of Health Services

See notes to the Schedules of Expenditures of Federal Awards and the State Financial Assistance

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of State Financial Assistance
 For the Year Ended June 30, 2016

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number	State Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures
<u>Wisconsin Department of Public Instruction</u>								
Special Education and School Age Parents	Direct Awards	255.101	405355-100	\$ -	\$ 860,503	\$ -	\$ 860,503	\$ 860,503
State School Lunch	Direct Awards	255.102	405355-107	-	4,544	-	4,544	4,544
Common School Fund Library Aid	Direct Awards	255.103	405355-104	-	68,486	-	68,486	68,486
Bilingual - Bicultural Aid	Direct Awards	255.106	405355-111	-	3,618	-	3,618	3,618
Pupil Transportation Aid	Direct Awards	255.107	405355-102	-	303	-	303	303
General Equalization	Direct Awards	255.201	405355-116	(60,208)	3,950,550	69,500	3,959,842	3,959,842
Integration Aid	Direct Awards	255.204	405355-106	-	1,405,806	-	1,405,806	1,405,806
School Breakfast Program	Direct Awards	255.344	405355-108	-	495	-	495	495
Educator Effectiveness Eval Sys Grants Public	Direct Awards	255.940	405355-154	-	13,040	-	13,040	13,040
Per Pupil Aid	Direct Awards	255.945	405355-113	-	-	268,652	268,652	268,652
Total Wisconsin Department of Public Instruction				(60,208)	6,307,345	338,152	6,585,289	6,585,289
TOTAL STATE FINANCIAL ASSISTANCE				\$ (60,208)	\$ 6,307,345	\$ 338,152	\$ 6,585,289	\$ 6,585,289

See notes to the Schedules of Expenditures of Federal Awards and the State Financial Assistance

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance
For the Year Ended June 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance include the federal and state grant activity of the Shorewood School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$3,027,912.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

NOTE D - OVERSIGHT AGENCIES

The U.S. Department of Education is the federal oversight agency and the Wisconsin Department of Public Instruction is the state oversight agency for the District.

NOTE E - INDIRECT COSTS

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE F - SUBRECIPIENT PAYMENTS

The District made no payments to subrecipients for the year ending June 30, 2016.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported.
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
	<i>Special Education Cluster</i>
84.027	Special Education - Grants to States - IDEA Flow through
84.173	Special Education - Preschool Grants

State ID. Number	Name of State Programs
	<i>General Aids Cluster</i>
255.201	General Equalization Aids
255.204	Integration Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$750,000
Audit threshold used to determine between Type A and Type B state programs:	\$250,000
Auditee qualified as low-risk auditee	No

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2016

Section II - Financial Statement Finding

Finding No.	Internal Control Deficiencies
-------------	-------------------------------

2015-001 Adjustments to the District's Financial Records

Condition: As part of our 2015-2016 audit, we proposed adjusting journal entries that were material to the District's financial statement.

Criteria: Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

Cause: While District staff maintains financial records which accurately report revenues and expenditures throughout the year, the turnover from the prior fiscal year was still a factor in all accounts being completely reconciled.

Effect: Monthly and year-end financial records prepared by the District may have contained material misstatements.

Recommendation: Personnel within the District's business office are currently evaluating current procedures to enhance financial reporting and timeliness of completing reconciliations. As part of this evaluation, we recommend the District identify opportunities to improve efficiency and oversight in ensuring reconciliations are completed timely and, if necessary, resources be provided to the business office to ensure financial reporting is timely.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2016

Section II - Financial Statement Finding (Continued)

Finding No.	Control Deficiencies
-------------	----------------------

2015-002 Preparation of Annual Financial Report

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2016

Section IV - Other Issues

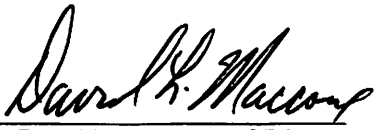
Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ Yes X No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction	_____ X _____	Yes	_____	No
Department of Health Services	_____ X _____	Yes	_____	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ X _____ Yes _____ No

Name and signature of shareholder



 David L. Maccoux, CPA

Date of report

March 9, 2017

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2016

Status of Prior Year Audit Findings

Finding 2015-001 Adjustments to the District's Financial Records

This finding has been repeated as 2015-001.

Finding 2015-002 Preparation of Annual Financial Report

This finding has been repeated as 2015-002.

Finding 2015-003 Segregation of Duties Over the Student Eligibility and Verification Process for the Free and Reduced Lunch Program.

Procedures have been put into place.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
-------------	------------------------

2015-001 Adjustments to the District's Financial Records

The District experienced turnover within the business office during the 2012-13 fiscal year. A new Director of Business Services was hired during the year and began evaluating current procedures within the office to enhance financial reporting. This evaluation will be completed during the 2014-15 fiscal year. The evaluation took place during the 14-15 year as discussed above, however there were still material adjustments. There continued to be a few material adjustments in 2015-2016 year.

2015-002 Preparation of Annual Financial Report

District management believes that the cost of employing internal resources to draft financial statements and related notes under the GASB 34 model, including the related GASB 34 conversion entries, would outweigh the benefits to be received. Furthermore, District management will continue to employ personnel who have the capability to review, approve and accept responsibility for the financial statements. The Director of Business Services has reviewed and approved the annual financial report prior to issuance.