

**SHOREWOOD SCHOOL DISTRICT
SHOREWOOD, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
June 30, 2017

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6 - 8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 11
Statement of Net Position - Fiduciary Funds	12
Statement of Changes in Net Position - Fiduciary Funds	13
Notes to Basic Financial Statements	14 - 37
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	38
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Fund - Budgetary Basis	39
Schedule of Employer Contributions - Other Post-Employment Benefit Plans	40
Schedule of Funding Progress - Other Post-Employment Benefit Plans	41
Schedule of Changes in Pension Liability and Related Ratios - Supplemental Pension Benefits	42
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System	43
Schedule of Contributions - Wisconsin Retirement System	43
Notes to Required Supplementary Information	44 - 45
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	47
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	48

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
June 30, 2017

Table of Contents

	<u>Page No.</u>
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 <i>Government Auditing Standards</i>	49 - 50
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 <i>State Single Audit Guidelines</i>	51 - 52
Schedule of Expenditures of Federal Awards	53 - 55
Schedule of State Financial Assistance	56
Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance	57
Schedule of Findings and Questioned Costs	58 - 60
Schedule of Prior Year Audit Findings and Corrective Action Plan	61

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, Shorewood, Wisconsin (the "District"), as of and for the year ended June 30, 2017, 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, 2017, 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

The District has not obtained an actuarial valuation in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans* for Shorewood School District Trust Fund for Post-Employment Benefits (the "Plan"), recorded as a fiduciary fund in the District's basic financial statements. Accordingly, the District has not included the required note disclosure for the Plan in accordance with this standard. The note disclosures are based on the actuarial valuation completed as of July 1, 2015 in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. 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 43 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 schedule 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 2016 financial statements, and our report dated March 9, 2017, 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, 2016, 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 December 1, 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
December 1, 2017

BASIC FINANCIAL STATEMENTS

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin

Statement of Net Position

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Cash and investments	\$ 6,496,268	\$ 6,573,840
Receivables		
Taxes	1,924,404	1,961,707
Accounts	307,768	190,684
Due from other governments	244,675	731,692
Prepaid items	268,566	187,115
Other fund assets		
Net OPEB asset	4,223,466	4,306,058
Capital assets		
Land	44,000	44,000
Construction in progress	-	874,029
Site improvements	6,234,302	5,224,271
Buildings	32,179,432	32,179,432
Machinery and equipment	6,212,832	6,182,549
Less: Accumulated depreciation	(20,001,934)	(18,911,444)
TOTAL ASSETS	38,133,779	39,543,933
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	6,117,379	8,780,467
Deferred charge on refunding	313,527	348,364
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,430,906	9,128,831
LIABILITIES		
Accounts payable	288,288	518,983
Accrued payroll liabilities	899,004	817,099
Accrued interest payable	150,328	168,615
Deposits payable	331,037	302,465
Unearned revenues	13,233	16,277
Long-term obligations		
Due within one year	2,289,621	2,214,621
Due in more than one year	16,340,892	19,232,040
Pension liability	1,818,757	2,552,604
TOTAL LIABILITIES	22,131,160	25,822,704
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	2,791,812	3,507,016
NET POSITION		
Net investment in capital assets	15,301,439	13,800,634
Restricted for		
Debt service	2,565,475	2,727,718
Food service program	-	3,157
Community service programs	619,378	398,837
Unrestricted	1,155,421	2,412,698
TOTAL NET POSITION	\$ 19,641,713	\$ 19,343,044

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, 2017
 (With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Total	
				Governmental Activities	
		2017	2016		
Governmental Activities					
Instruction	\$ 17,626,962	\$ 1,836,722	\$ 2,970,604	\$ (12,819,636)	\$ (11,933,951)
Support services	10,004,248	206,223	228,494	(9,569,531)	(8,960,084)
Interest and fiscal charges	781,135	-	-	(781,135)	(800,472)
Community services	1,334,288	1,041,804	-	(292,484)	(316,917)
Non-program transactions	636,764	-	-	(636,764)	(1,025,184)
Depreciation - unallocated	1,090,490	-	-	(1,090,490)	(1,254,574)
Total Governmental Activities	\$ 31,473,887	\$ 3,084,749	\$ 3,199,098	(25,190,040)	(24,291,182)
General revenues					
Property taxes, levied for general purposes				15,576,200	15,019,928
Property taxes, levied for debt service				3,444,134	3,658,498
Property taxes, levied for community service				1,084,281	999,308
Other taxes				865	2,240
State and federal aids not restricted to specific functions				4,892,728	3,961,673
Interest and investment earnings				41,539	10,468
Miscellaneous				448,962	2,035,852
Total General Revenues				25,488,709	25,687,967
Change in net position				298,669	1,396,785
Net position - July 1				19,343,044	17,946,259
Net position - June 30				\$ 19,641,713	\$ 19,343,044

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, 2017
 (With summarized financial information as of June 30, 2016)

	General	Special Revenue Trust	Debt Service	
			Non-referendum	Referendum
ASSETS				
Cash and investments	\$ 3,312,527	\$ 1,667,913	\$ 242	\$ 791,157
Receivables				
Taxes	-	-	-	1,924,404
Accounts	269,582	36,298	-	-
Due from other funds	-	-	-	-
Due from other governments	241,098	-	-	-
Prepaid items	268,566	-	-	-
TOTAL ASSETS	\$ 4,091,773	\$ 1,704,211	\$ 242	\$ 2,715,561
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 180,065	\$ 50,015	\$ -	\$ -
Accrued salaries and related items	843,500	1,532	-	-
Deposits payable	331,037	-	-	-
Due to other funds	4,940	-	-	-
Unearned revenue	9,957	-	-	-
Total Liabilities	1,369,499	51,547	-	-
Fund Balances				
Nonspendable				
Prepaid items	268,566	-	-	-
Restricted				
Debt service	-	-	242	2,715,561
Capital projects	-	-	-	-
Community service	-	-	-	-
Assigned				
Gifts and donations from private parties	-	1,652,664	-	-
Unassigned, reported in				
General fund	2,453,708	-	-	-
Total Fund Balances	2,722,274	1,652,664	242	2,715,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,091,773	\$ 1,704,211	\$ 242	\$ 2,715,561

(Continued)

Other Governmental Funds	Total Governmental Funds	
	2017	2016
\$ 724,429	\$ 6,496,268	\$ 6,573,840
-	1,924,404	1,961,707
1,888	307,768	190,684
4,940	4,940	42,507
3,577	244,675	731,692
-	268,566	187,115
<u>\$ 734,834</u>	<u>\$ 9,246,621</u>	<u>\$ 9,687,545</u>

\$ 58,208	\$ 288,288	\$ 518,983
53,972	899,004	811,623
-	331,037	307,941
-	4,940	42,507
3,276	13,233	16,277
<u>115,456</u>	<u>1,536,502</u>	<u>1,697,331</u>

-	268,566	187,115
-	2,715,803	2,896,333
-	-	3,157
619,378	619,378	398,837
-	1,652,664	2,128,522
-	2,453,708	2,376,250
<u>619,378</u>	<u>7,710,119</u>	<u>7,990,214</u>
<u>\$ 734,834</u>	<u>\$ 9,246,621</u>	<u>\$ 9,687,545</u>

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

(With summarized financial information as of June 30, 2016)

<u>Reconciliation to the Statement of Net Position</u>	2017	2016
Total Fund Balances from previous page	\$ 7,710,119	\$ 7,990,214
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.	24,668,632	25,592,837
The District's pension plans are not an available financial resources; therefore, are not reported in the fund financial statements:		
Net pension liability - Wisconsin Retirement System	(856,023)	(1,646,866)
Deferred outflows of resources - Wisconsin Retirement System	6,117,379	8,780,467
Deferred inflows of resources - Wisconsin Retirement System	(2,791,812)	(3,507,016)
Supplemental pension plan	(962,734)	(905,738)
Deferred outflows of resources is reported in Statement of Net Position for the loss on advance refunding.	313,527	348,364
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	(18,180,000)	(21,050,000)
Premium on long-term debt	(232,628)	(252,249)
Other post-employment benefits	4,223,466	4,306,058
Compensated absences	(217,885)	(144,412)
Accrued interest payable	(150,328)	(168,615)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 19,641,713</u>	<u>\$ 19,343,044</u>

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, 2017
 (With summarized financial information for the year ended June 30, 2016)

	General	Special Revenue Trust	Debt Service	
			Non-referendum	Referendum
Revenues				
Property taxes	\$ 15,576,200	\$ -	\$ 74,000	\$ 3,370,134
Other local sources	793,054	354,348	111	10,669
Interdistrict sources	1,239,103	-	-	-
Intermediate sources	7,501	-	-	-
State sources	7,058,377	-	-	-
Federal sources	712,293	-	-	-
Other sources	76,206	-	-	-
Total Revenues	25,462,734	354,348	74,111	3,380,803
Expenditures				
Instruction				
Regular instruction	11,906,222	191,934	-	-
Vocational instruction	40,417	-	-	-
Special education instruction	3,175,898	-	-	-
Other instruction	1,190,387	184,912	-	-
Total Instruction	16,312,924	376,846	-	-
Support Services				
Pupil services	1,077,696	-	-	-
Instructional staff services	1,293,361	133,059	-	-
General administration services	687,540	-	-	-
School administration services	1,171,076	682	-	-
Business services	572,311	-	-	-
Operation and maintenance of plant	2,453,006	319,319	-	-
Pupil transportation services	203,037	300	-	-
Food service	-	-	-	-
Central services	628,621	-	-	-
Insurance	225,788	-	-	-
Other support services	926	-	-	-
Total Support Services	8,313,362	453,360	-	-
Community Services	-	-	-	-
Debt Service				
Principal	-	-	90,000	2,105,000
Payment to advance escrow agent	-	-	-	756,668
Interest and fiscal charges	18,762	-	120,299	563,477
Total Debt Service	18,762	-	210,299	3,425,145
Non-program				
General tuition payments	443,460	-	-	-
Special education tuition payments	159,512	-	-	-
Revenue transits to others	-	-	-	-
Adjustments and refunds	-	-	-	-
Total Non-program	602,972	-	-	-
Total Expenditures	25,248,020	830,206	210,299	3,425,145
Excess of Revenues Over (Under) Expenditures	214,714	(475,858)	(136,188)	(44,342)
Other Financing Sources (Uses)				
Transfers out	(55,805)	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	(55,805)	-	-	-
Net Change in Fund Balances	158,909	(475,858)	(136,188)	(44,342)
Fund Balances - July 1	2,563,365	2,128,522	136,430	2,759,903
Fund Balances - June 30	\$ 2,722,274	\$ 1,652,664	\$ 242	\$ 2,715,561

(Continued)

Other Governmental Funds	Total Governmental Funds	
	2017	2016
\$ 1,084,281	\$ 20,104,615	\$ 19,677,734
1,248,797	2,406,979	3,034,528
-	1,239,103	1,271,616
-	7,501	8,640
5,192	7,063,569	6,587,118
161,603	873,896	824,877
687	76,893	846,947
<u>2,500,560</u>	<u>31,772,556</u>	<u>32,251,460</u>
-	12,098,156	12,188,437
-	40,417	-
-	3,175,898	2,953,305
-	1,375,299	1,336,941
-	<u>16,689,770</u>	<u>16,478,683</u>
-	1,077,696	1,079,208
-	1,426,420	1,376,220
72,726	760,266	847,604
-	1,171,758	1,160,030
31,273	603,584	676,632
321,387	3,093,712	3,773,367
12,200	215,537	137,782
399,023	399,023	373,897
15,677	644,298	697,016
151,927	377,715	260,345
-	926	-
<u>1,004,213</u>	<u>9,770,935</u>	<u>10,382,101</u>
<u>1,300,976</u>	<u>1,300,976</u>	<u>1,314,058</u>
-	2,195,000	2,030,000
-	756,668	-
-	702,538	801,129
-	<u>3,654,206</u>	<u>2,831,129</u>
-	443,460	176,519
-	159,512	140,167
-	-	13,529
33,792	33,792	694,969
<u>33,792</u>	<u>636,764</u>	<u>1,025,184</u>
<u>2,338,981</u>	<u>32,052,651</u>	<u>32,031,155</u>
161,579	(280,095)	220,305
-	(55,805)	(567,320)
55,805	55,805	567,320
<u>55,805</u>	-	-
217,384	(280,095)	220,305
401,994	7,990,214	7,769,909
<u>\$ 619,378</u>	<u>\$ 7,710,119</u>	<u>\$ 7,990,214</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2017
 (With summarized financial information for the year ended June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ (280,095)	\$ 220,305
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	\$ 166,285	
Depreciation expense reported in the statement of activities	<u>(1,090,490)</u>	
Amount in which depreciation is greater than capital outlays	(924,205)	(273,512)
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:	(73,473)	116,405
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.	(1,157,041)	(894,224)
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:	(82,592)	259,187
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:	(56,996)	(62,034)
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	2,870,000	2,030,000
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.	18,287	15,873
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.	19,621	19,622
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 5)	<u>\$ 298,669</u>	<u>\$ 1,396,785</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, 2017

(With summarized financial information as of June 30, 2016)

	Agency Fund	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
	Pupil Activity			2017	2016
ASSETS					
Cash and investments	\$ 121,589	\$ 1,287,864	\$ 8,645,509	\$ 10,054,962	\$ 10,043,036
Accounts receivable	440	300	7,285	8,025	261,100
TOTAL ASSETS	122,029	1,288,164	8,652,794	10,062,987	10,304,136
LIABILITIES					
Accounts payable	7,448	-	93,553	101,001	-
Other deposits payable	4,291	-	764,378	768,669	613,806
Payable to District	19,469	-	236,679	256,148	158,039
Due to parent organizations	18,803	-	-	18,803	19,693
Due to student organizations	72,018	-	-	72,018	77,634
TOTAL LIABILITIES	122,029	-	1,094,610	1,216,639	869,172
NET POSITION					
Restricted for					
Scholarships	-	1,288,164	-	1,288,164	1,266,914
Employee benefits	-	-	7,558,184	7,558,184	8,168,050
TOTAL NET POSITION	\$ -	\$ 1,288,164	\$ 7,558,184	\$ 8,846,348	\$ 9,434,964

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, 2017
 (With summarized financial information for the year ended June 30, 2016)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2017	2016
ADDITIONS				
Contributions	\$ 30,625	\$ 165,600	\$ 196,225	\$ 461,875
Investment income	138,373	148,343	286,716	192,822
Total Additions	168,998	313,943	482,941	654,697
DEDUCTIONS				
Scholarship payments	147,748	-	147,748	120,948
Loss on investments	-	-	-	43,560
Purchased personal services	-	7,445	7,445	-
Employee benefit payments	-	916,364	916,364	669,704
Total Deductions	147,748	923,809	1,071,557	834,212
Change in Net Position	21,250	(609,866)	(588,616)	(179,515)
Net position - July 1	1,266,914	8,168,050	9,434,964	9,614,479
Net position - June 30	\$ 1,288,164	\$ 7,558,184	\$ 8,846,348	\$ 9,434,964

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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Shorewood School District, Shorewood, Wisconsin (the "District"), 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.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

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, 2017

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. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid item, and are accounted for on the consumption method.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. 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 fair 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, 2017

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

g. 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.

h. 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.

i. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. 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.

k. 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, 2017

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, 2016 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, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$16,551,230 on June 30, 2017 as summarized below:

Petty cash funds	\$ 200
Deposits with financial institutions	270,910
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	241,019
Investment series	6,221,160
Common stock	453,660
Exchange traded funds	358,761
Bond mutual funds	210,684
Real estate investment trust	12,898
Equity mutual funds	135,341
Money market mutual funds	1,089
Fixed interest annuity contract	8,645,508
	<u>\$ 16,551,230</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 6,496,268
Fiduciary Funds Statement of Net Position	
Agency funds	121,589
Private purpose trust fund	1,287,864
Employee benefit trust fund	8,645,509
	<u>\$ 16,551,230</u>

Fair Value Measurements

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. A summary of the District investments measured at fair value follows:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Common stock	\$ 453,660	\$ -	\$ -
Exchange traded funds	358,761	-	-
Mutual bond funds	210,684	-	-
Real estate investment trust	12,898	-	-
Equity mutual funds	135,341	-	-
Money market mutual funds	1,089	-	-
Total investments by fair value level	<u>\$ 1,172,433</u>	<u>\$ -</u>	<u>\$ -</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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.

On June 30, 2017, 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	Exempt From Disclosure	AAA	Aa	Not Rated
Wisconsin Investment Series Cooperative (WISC)					
Cash management series	\$ 241,019	\$ -	\$ -	\$ -	\$ 241,019
Investment series	6,221,160	-	-	-	6,221,160
Bond mutual funds	210,684	-	-	210,684	-
Money market mutual funds	1,089	-	-	-	1,089
Totals	\$ 6,673,952	\$ -	\$ -	\$ 210,684	\$ 6,463,268

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater 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	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	\$ 241,019	\$ 241,019	\$ -	\$ -	\$ -
Investment series	6,221,160	6,221,160	-	-	-
Bond mutual funds	210,684	-	210,684	-	-
Money market mutual funds	1,089	1,089	-	-	-
Totals	\$ 6,673,952	\$ 6,463,268	\$ 210,684	\$ -	\$ -

Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$8,645,508 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 \$6,462,179 at year end consisting of \$241,019 invested in the Cash Management Series and \$6,221,160 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, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2017 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	46,002	920,031	-
Total capital assets, not being depreciated	918,029	46,002	920,031	44,000
Capital assets, being depreciated:				
Site improvements	5,224,271	1,010,031	-	6,234,302
Buildings	32,179,432	-	-	32,179,432
Machinery and equipment	6,182,549	30,283	-	6,212,832
Total capital assets being depreciated	43,586,252	1,040,314	-	44,626,566
Less accumulated depreciation for:				
Site improvements	1,740,086	281,519	-	2,021,605
Buildings	12,085,926	583,980	-	12,669,906
Machinery and equipment	5,085,432	224,991	-	5,310,423
Total accumulated depreciation	18,911,444	1,090,490	-	20,001,934
Total capital assets, being depreciated, net	24,674,808	(50,176)	-	24,624,632
Governmental activities capital assets, net	<u>\$ 25,592,837</u>	<u>\$ (4,174)</u>	<u>\$ 920,031</u>	24,668,632
Less:				
Capital related general obligation debt				9,630,000
Capital related debt premium				50,720
Add:				
Deferred outflows of resources - loss on advance refunding				<u>313,527</u>
Net investment in capital assets				<u>\$ 15,301,439</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2017 are detailed below:

Due from Other Funds	Due to Other Funds	Purpose	Amount
Nonmajor fund - Community service special revenue	General fund	Reimbursements	<u>\$ 4,940</u>

Interfund transfers between individual funds of the District as of June 30, 2017 are detailed below:

Transfer in	Transfer out	Purpose	Amount
Nonmajor fund - Food service special revenue	General fund	Finance operating deficit	<u>\$ 55,805</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2017 was as follows:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17
Tax and Revenue Anticipation Promissory Notes				
\$4,500,000 issued 10/14/16; \$4,500,000 due on 1/30/2017; interest 1.25%	\$ -	\$ 4,500,000	\$ 4,500,000	\$ -

Total interest paid for the year on short-term debt totaled \$16,644.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$17,150,000	\$ -	\$ 1,380,000	\$15,770,000	\$ 725,000
Notes	3,900,000	-	1,490,000	2,410,000	1,545,000
Total	21,050,000	-	2,870,000	18,180,000	2,270,000
Debt premium	252,249	-	19,621	232,628	19,621
Compensated absences	144,412	77,808	4,335	217,885	-
Governmental activities Long-term obligations	<u>\$21,446,661</u>	<u>\$ 77,808</u>	<u>\$ 2,893,956</u>	<u>\$18,630,513</u>	<u>\$ 2,289,621</u>

Total interest paid during the year on long-term debt totaled \$673,556.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/17
Taxable Refunding Bonds	\$ 3,595,000	07/19/11	2.00% - 4.60%	04/01/26	\$ 1,940,000
Taxable Refunding Bonds	5,060,000	09/27/11	2.00% - 4.30%	04/01/31	3,815,000
General Obligation School Improvement Bonds	5,515,000	02/01/13	2.00% - 3.00%	10/01/28	5,280,000
General Obligation Refunding Bonds	5,055,000	04/01/15	3.00% - 3.95%	04/01/35	4,735,000
General Obligation Notes	6,480,000	07/30/08	3.00% - 4.00%	04/01/18	1,135,000
General Obligation Notes	3,170,000	06/01/10	2.00% - 3.50%	06/01/20	1,275,000
Total General Obligation Debt					<u>\$ 18,180,000</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$18,180,000 on June 30, 2017 are detailed below:

Year Ended	Governmental Activities		
	Principal	Interest	Total
2018	\$ 2,270,000	\$ 569,596	\$ 2,839,596
2019	1,195,000	492,222	1,687,222
2020	1,465,000	451,782	1,916,782
2021	1,075,000	404,742	1,479,742
2022	1,260,000	368,117	1,628,117
2023-2027	6,015,000	1,284,841	7,299,841
2028-2032	3,900,000	512,820	4,412,820
2033-2035	1,000,000	78,678	1,078,678
	<u>\$ 18,180,000</u>	<u>\$ 4,162,798</u>	<u>\$ 22,342,798</u>

Advance Refunding

During 2017, the District advance refunded a portion of the 2025 and the 2026 maturities general obligation bond issue from July 19, 2011 using available debt service resources to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to use available District resources to restructure future debt payments, resulting in a decrease in reduce total debt service payments over the next 10 years by \$171,902.

At June 30, 2017, \$675,000 of outstanding general obligation bonds and notes are considered defeased.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2017 was \$129,155,340 as follows:

Equalized valuation of the District	\$ 1,448,453,541
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>144,845,354</u>
Total outstanding general obligation debt	\$ 18,180,000
Less: Amounts available for financing general obligation debt	
Debt service funds ⁽¹⁾	<u>2,489,986</u>
Net outstanding general obligation debt applicable to debt limitation	<u>15,690,014</u>
Legal Margin for New Debt	<u><u>\$ 129,155,340</u></u>

⁽¹⁾ Debt service funds less interest payments of \$225,574 due in 2017.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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 12% to 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, 2017 is \$2,453,708. The minimum fund balance amount is calculated as follows:

Budgeted 2017-2018 General Fund Expenditures	\$	20,630,170
Minimum Fund Balance %		12% - 15%
Minimum Fund Balance Amount		\$2,475,620 to \$3,094,526

NOTE C - OTHER INFORMATION

1. Pension Liability

The District reports pension liability, deferred outflows and inflows of resources as summarized below:

	Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Wisconsin Retirement System (WRS)	\$ 856,023	\$ 6,117,379	\$ 2,791,812
Supplemental pension plan	962,734	-	-
Total Pension Liability	\$ 1,818,757	\$ 6,117,379	\$ 2,791,812

a. Pension Plan - Wisconsin Retirement System (WRS)

1. Plan Description

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

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

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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

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

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

The WRS also provides death and disability benefits for employees.

2. 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
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%
2016	0.5%	(5)%

3. Contributions

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

During the reporting period, the WRS recognized \$1,015,633 in contributions from the District.

Contribution rates as of June 30, 2017 are:

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

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

At June 30, 2017, the District reported a liability of \$856,023 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the District's proportion was .1038562%, which was an increase of .0025094% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$2,170,901.

At June 30, 2017, 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	\$ 326,402	\$ 2,692,117
Changes in assumptions	895,005	-
Net differences between projected and actual earnings on pension plan investments	4,261,010	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	99,695
Employer contributions subsequent to the measurement date	634,962	-
Total	<u>\$ 6,117,379</u>	<u>\$ 2,791,812</u>

\$634,962 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,994,649	\$ 891,265
2018	1,994,649	891,265
2019	1,633,929	883,794
2020	(142,298)	125,002
2021	1,488	486
Total	<u>\$ 5,482,417</u>	<u>\$ 2,791,812</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

5. Actuarial Assumption

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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 %
Core Fund Asset Class				
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
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%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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 3.78%. 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 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 (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)	\$ 11,261,529	\$ 856,023	\$ (7,156,688)

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>.

6. Payable to the WRS

At June 30, 2017 the District reported a payable of \$348,145 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

b. Pension Plan - Supplemental Pension Plan

1. 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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

2. 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

3. 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.

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

Component	Amount
Balance at July 1, 2016	\$ 905,738
Changes for the year:	
Service cost	70,192
Interest	21,645
Benefit payments	(34,841)
Net changes	56,996
Balance at June 30, 2017	\$ 962,734

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, 2017

NOTE C - OTHER INFORMATION (Continued)

5. Actuarial Assumptions

The District's total pension liability was measured as of July 1, 2016 and rolled forward to June 30, 2017.

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
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.

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, 2016 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, 2016			
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 \$962,734 was based on the District's fiscal year ended June 30, 2017, as rolled forward by the District's actuary. Sensitivity information as of June 30, 2017 was not available.

2. 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.

The District has not obtained an actuarial valuation in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*; accordingly, the following note disclosures related to the Plan are based on the actuarial valuation completed as of July 1, 2015 in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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, 2017, the District has assets of \$7,357,645, 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, 2017, \$764,378 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	N/A	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	N/A	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, 2017

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, 2017

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	\$ 172,680
Interest on net OPEB	(96,801)
Adjustment to annual required contribution	172,313
Annual OPEB cost (expense)	<u>248,192</u>
Contributions made	165,600
Change in net OPEB obligation	<u>82,592</u>
Net OPEB asset - beginning of year	(4,306,058)
Net OPEB asset - end of year	<u><u>\$ (4,223,466)</u></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)
6/30/15	\$ 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)
6/30/17	248,192	172,680	66.7%	95.9%	(4,223,466)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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.

2. 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.

3. 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.

4. 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, 2017

NOTE C - OTHER INFORMATION (Continued)

5. Upcoming Accounting Pronouncements

In June 2015, the GASB issued a new standard addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). 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 OPEB liability. GASB No. 75 is effective for fiscal years beginning after June 15, 2017. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 15,576,200	\$ 15,576,200	\$ 15,576,200	\$ -
Other local sources	728,014	939,564	793,054	(146,510)
Interdistrict sources	1,195,956	1,195,956	1,239,103	43,147
State sources	6,196,859	6,208,439	6,195,547	(12,892)
Federal sources	129,706	189,174	278,861	89,687
Other sources	112,000	114,070	76,206	(37,864)
Total Revenues	23,938,735	24,223,403	24,158,971	(64,432)
Expenditures				
Instruction				
Regular instruction	11,889,646	11,932,491	11,906,222	26,269
Vocational instruction	51,231	51,231	40,417	10,814
Other instruction	1,174,006	1,185,547	1,190,387	(4,840)
Total Instruction	13,114,883	13,169,269	13,137,026	32,243
Support Services				
Pupil services	701,218	696,692	719,795	(23,103)
Instructional staff services	1,025,127	1,136,696	1,072,601	64,095
General administration services	743,529	754,024	684,328	69,696
School administration services	1,118,076	1,114,212	1,171,076	(56,864)
Business services	556,645	588,165	572,311	15,854
Operation and maintenance of plant	2,635,555	2,631,150	2,451,721	179,429
Pupil transportation services	106,568	172,546	192,397	(19,851)
Central services	604,549	621,971	622,074	(103)
Insurance	244,486	244,551	225,788	18,763
Other support services	0	1,708	926	782
Total Support Services	7,735,753	7,961,715	7,713,017	248,698
Debt service				
Interest and fiscal charges	16,693	18,763	18,762	1
Non-program				
General tuition payments	376,565	378,815	443,460	(64,645)
Adjustments and refunds	1,000	1,000	-	1,000
Total Non-program	377,565	379,815	443,460	(63,645)
Total Expenditures	21,244,894	21,529,562	21,312,265	217,297
Excess of Revenues Over Expenditures	2,693,841	2,693,841	2,846,706	152,865
Other Financing Uses				
Transfers out	(2,690,932)	(2,690,932)	(2,687,797)	3,135
Net Change in Fund Balance	2,909	2,909	158,909	156,000
Fund Balance - July 1	2,563,365	2,563,365	2,563,365	-
Fund Balance - June 30	\$ 2,566,274	\$ 2,566,274	\$ 2,722,274	\$ 156,000

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intermediate sources	\$ 18,696	\$ 18,696	\$ 7,501	\$ (11,195)
State sources	977,869	977,869	862,830	(115,039)
Federal sources	491,968	515,502	433,432	(82,070)
Total Revenues	1,488,533	1,512,067	1,303,763	(208,304)
Expenditures				
Instruction				
Special education instruction	3,272,086	3,310,022	3,175,898	134,124
Support Services				
Pupil services	426,001	423,491	357,901	65,590
Instructional staff services	256,378	231,280	220,760	10,520
General administration services	0	5,000	3,212	1,788
Operation and maintenance of plant	2,353	3,638	1,285	2,353
Pupil transportation services	7,647	21,000	10,640	10,360
Central services	5,000	8,130	6,547	1,583
Total Support Services	697,379	692,539	600,345	92,194
Non-program				
Special education tuition payments	150,000	140,439	159,512	(19,073)
Total Expenditures	4,119,465	4,143,000	3,935,755	207,245
Excess of Revenues Under Expenditures	(2,630,932)	(2,630,933)	(2,631,992)	(1,059)
Other Financing Sources				
Transfers in	2,690,932	2,690,932	2,631,992	(58,940)
Net Change in Fund Balance	60,000	59,999	-	(59,999)
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ 60,000	\$ 59,999	\$ -	\$ (59,999)

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, 2017

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%
2017	165,600	172,680	95.90%

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, 2017

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 Changes in Pension Liability and Related Ratios
 Supplemental Pension Benefit
 Last 10 Fiscal Years*

	2016	2017
Total Pension Liability		
Service cost	\$ 74,781	\$ 70,192
Interest	20,364	21,645
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(33,111)	(34,841)
Net change in total pension liability	62,034	56,996
Total pension liability - beginning	843,704	905,738
Total pension liability - ending	<u>\$ 905,738</u>	<u>\$ 962,734</u>
Covered-employee payroll	\$ 11,286,199	\$ 11,455,490
District's pension liability as a percentage of covered-employee payroll	8.03%	8.40%

* 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 Proportionate Share of the Net Pension Liability (Asset)
 Wisconsin Retirement System
 Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered - Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/2015	0.0993769%	\$ (2,440,970)	\$ 13,959,685	17.49%	102.74%
6/30/2016	0.1013468%	1,646,866	14,867,318	11.08%	98.20%
6/30/2017	0.1038562%	856,023	15,385,293	5.56%	99.12%

Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
6/30/2015	\$ 985,105	\$ 985,105	\$ -	\$ 13,959,685	7.06%
6/30/2016	1,010,990	1,010,990	-	14,867,318	6.80%
6/30/2017	1,015,633	1,015,633	-	15,385,293	6.60%

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE A - OTHER POST-EMPLOYMENT BENEFITS

The District obtains actuarial valuations of the District's pension and other postemployment benefits in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule of funding progress and schedule of employer contributions are required to be included in the District's Required Supplementary Information in accordance with the requirements of those statements.

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.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Required Supplementary Information
 For the Year Ended June 30, 2017

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- 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, 2017.

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)	\$ 24,158,971	\$ 1,303,763
Reclassification of special education	1,303,763	(1,303,763)
Total Revenues	25,462,734	-
Expenditures		
Actual amounts (budgetary basis)	21,312,265	3,935,755
Reclassification of special education	3,935,755	(3,935,755)
Total Expenditures	25,248,020	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,846,706	(2,631,992)
Reclassification of special education	(2,631,992)	2,631,992
Excess of Revenues Over (Under) Expenditures	214,714	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,687,797)	2,631,992
Reclassification of special education	2,631,992	(2,631,992)
Total Other Financing Sources (Uses)	(55,805)	-
Net Change in Fund Balance		
Actual amounts (budgetary basis)	158,909	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	2,563,365	-
Fund Balance - June 30	\$ 2,722,274	\$ -

SUPPLEMENTARY INFORMATION

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Community Service	Food Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 722,793	\$ 1,636	\$ 724,429
Receivables			
Accounts	1,888	-	1,888
Due from other funds	4,940	-	4,940
Due from other governments	-	3,577	3,577
TOTAL ASSETS	\$ 729,621	\$ 5,213	\$ 734,834
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 56,271	\$ 1,937	\$ 58,208
Accrued payroll liabilities	53,972	-	53,972
Unearned revenues	-	3,276	3,276
Total Liabilities	110,243	5,213	115,456
Fund Balances			
Restricted			
Community service	619,378	-	619,378
TOTAL LIABILITIES AND FUND BALANCES	\$ 729,621	\$ 5,213	\$ 734,834

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Community Service	Food Service	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 1,084,281	\$ -	\$ 1,084,281
Other local sources	1,042,426	206,371	1,248,797
State sources	-	5,192	5,192
Federal sources	-	161,603	161,603
Other revenue	-	687	687
Total Revenues	2,126,707	373,853	2,500,560
Expenditures			
Support Services			
General administration services	72,726	-	72,726
Business services	31,273	-	31,273
Operation and maintenance of plant	321,387	-	321,387
Pupil transportation services	12,200	-	12,200
Food service	-	399,023	399,023
Central service	15,677	-	15,677
Insurance	151,927	-	151,927
Total Support Services	605,190	399,023	1,004,213
Community Services	1,300,976	-	1,300,976
Adjustments and Refunds	-	33,792	33,792
Total Expenditures	1,906,166	432,815	2,338,981
Excess of Revenues Over (Under) Expenditures	220,541	(58,962)	161,579
Other Financing Sources			
Transfers in	-	55,805	55,805
Net Change in Fund Balances	220,541	(3,157)	217,384
Fund Balances - July 1	398,837	3,157	401,994
Fund Balances - June 30	\$ 619,378	\$ -	\$ 619,378

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 For the Year Ended June 30, 2017

	Balance 7/1/16	Additions	Deletions	Balance 06/30/17
ASSETS				
Cash and investments	\$ 109,099	\$ 158,107	\$ 145,617	\$ 121,589
Accounts Receivable	255	6,348	6,163	440
TOTAL ASSETS	\$ 109,354	\$ 164,455	\$ 151,780	\$ 122,029
LIABILITIES				
Accounts payable	\$ -	\$ 119,285	\$ 111,837	\$ 7,448
Other deposits payable	4,379	-	88	4,291
Payable to District	7,393	25,873	13,797	19,469
Due to parent organization	19,693	19,178	20,376	18,495
Due to student organizations	77,889	134,788	140,351	72,326
TOTAL LIABILITIES	\$ 109,354	\$ 299,124	\$ 286,449	\$ 122,029

**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, Shorewood, Wisconsin, as of and for the year ended June 30, 2017, 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 December 1, 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

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 Finding

Shorewood School District's response to the finding 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
December 1, 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, 2017. 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, 2017.

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
December 1, 2017

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Administering Agency Award Description	CFDA Number	Pass-through Agency	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Revenues	Total Expenditures	Subrecipient Payments
<u>U.S. Department of Agriculture</u>									
<i>Child Nutrition Cluster</i>									
School Breakfast Program	10.553								
July 1, 2015 - June 30, 2016		WDPI	A546-00000-405355	\$ (1,560)	\$ 1,560	\$ -	\$ -	\$ -	\$ -
July 1, 2016 - June 30, 2017		WDPI	2017-405355-SB-546	-	8,114	239	8,353	8,353	-
				<u>(1,560)</u>	<u>9,674</u>	<u>239</u>	<u>8,353</u>	<u>8,353</u>	<u>-</u>
National School Lunch Program	10.555								
<i>Cash Assistance:</i>									
July 1, 2015 - June 30, 2016		WDPI	A547-00000-405355	(20,387)	20,387	-	-	-	-
July 1, 2016 - June 30, 2017		WDPI	2017-405355-NSL-547	-	118,717	3,337	122,054	122,054	-
Non-Cash Assistance (Commodities)		WDPI	2017-405355-NSL-547	-	31,195	-	31,195	31,195	-
Total National School Lunch Program				<u>(20,387)</u>	<u>170,299</u>	<u>3,337</u>	<u>153,249</u>	<u>153,249</u>	<u>-</u>
<i>Total Child Nutrition Cluster and U.S. Department of Agriculture</i>				<u>(21,947)</u>	<u>179,973</u>	<u>3,576</u>	<u>161,602</u>	<u>161,602</u>	<u>-</u>
<u>U.S. Department of Education</u>									
Title I Grants to Local Educational Agencies	84.010								
July 1, 2015 - June 30, 2016		WDPI	A141-00000-405355	(45,221)	45,221	-	-	-	-
July 1, 2016 - June 30, 2017		WDPI	17-405355-Title I-141	-	92,505	22,941	115,446	115,446	-
Total Title I Grants to Local Educational Agencies				<u>(45,221)</u>	<u>137,726</u>	<u>22,941</u>	<u>115,446</u>	<u>115,446</u>	<u>-</u>

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2017

Administering Agency Award Description	Federal Catalog Number	Pass-through Agency	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Revenues	Total Expenditures	Subrecipient Payments
U.S. Department of Education (Continued)									
Special Education Cluster (IDEA)									
Special Education - Grants to States IDEA Flow-Through	84.027								
July 1, 2015 - June 30, 2016		WDPI	A347-00000-405355	(141,665)	150,153	-	8,488	8,488	-
July 1, 2016 - June 30, 2017		WDPI	2017-405355-IDEA-341	-	281,610	103,692	385,302	385,302	-
Total Special Education - Grants to States				(141,665)	431,763	103,692	393,790	393,790	-
Special Education - Preschool Grants July 1, 2016 - June 30, 2017	84.173	WDPI	17-405355-Pre-S-347	-	9,698	-	9,698	9,698	-
Total Special Education Cluster				(141,665)	441,461	103,692	403,488	403,488	-
English Language Acquisition State Grants July 1, 2015 - June 30, 2016	84.365	WDPI	A391-00000-405355	(7,679)	7,679	-	-	-	-
July 1, 2016 - June 30, 2017		WDPI	17-405355-Title III A-391	-	27,921	3,111	31,032	31,032	-
Total English Language Acquisition State Grants				(7,679)	35,600	3,111	31,032	31,032	-
Improving Teacher Quality State Grants July 1, 2015 - June 30, 2016	84.367	WDPI	A365-00000-405355	(5,277)	5,277	-	-	-	-
July 1, 2016 - June 30, 2017		WDPI	17-405355-Title II-365	-	63,069	28,128	91,197	91,197	-
Total Improving Teacher Quality State Grants				(5,277)	68,346	28,128	91,197	91,197	-
Total U.S. Department of Education				(199,842)	683,133	157,872	641,163	641,163	-

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2017

Administering Agency Award Description	Federal Catalog Number	Pass-through Agency	Pass-Through Entity Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Revenues	Total Expenditures	Subrecipient Payments
<u>U.S. Department of Health and Human Services</u>									
<u>Medicaid Cluster</u>									
Medical Assistance Program - School Based Services	93.778	WDHS	44234700						
July 1, 2015 - June 30, 2016				-	532	-	532	532	-
July 1, 2016 - June 30, 2017				-	72,398	7,220	79,618	79,618	-
Total U.S. Department of Health and Human Services				-	72,930	7,220	80,150	80,150	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ (221,789)	\$ 936,036	\$ 168,668	\$ 882,915	\$ 882,915	\$ -

WDPI: Pass-Through Agencies
 WDHS: Wisconsin Department of Public Instruction
 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, 2017

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency	State Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Revenues	Total Expenditures	Subrecipient Payments
<u>Wisconsin Department of Public Instruction</u>									
Special Education and School Age Parents	255.101	Direct Program	405355-100	\$ -	\$ 862,830	\$ -	\$ 862,830	\$ 862,830	\$ -
State School Lunch	255.102	Direct Program	405355-107	-	4,612	-	4,612	4,612	-
Common School Fund Library Aid	255.103	Direct Program	405355-104	-	61,699	-	61,699	61,699	-
Bilingual - Bicultural Aid	255.106	Direct Program	405355-111	-	968	-	968	968	-
General Equalization	255.201	Direct Program	405355-116	(69,500)	4,426,487	74,714	4,431,701	4,431,701	-
Integration Aid	255.204	Direct Program	405355-106	-	1,208,745	-	1,208,745	1,208,745	-
School Breakfast Program	255.344	Direct Program	405355-108	-	580	-	580	580	-
Educator Effectiveness Eval Sys Grants Public	255.940	Direct Program	405355-154	-	27,280	-	27,280	27,280	-
Per Pupil Aid	255.945	Direct Program	405355-113	(268,652)	726,900	-	458,248	458,248	-
Assessments of Reading Readiness	255.956	Direct Program	405355-166	-	4,127	-	4,127	4,127	-
Total Wisconsin Department of Public Instruction				(338,152)	7,324,228	74,714	7,060,790	7,060,790	-
TOTAL STATE FINANCIAL ASSISTANCE				\$ (338,152)	\$ 7,324,228	\$ 74,714	\$ 7,060,790	\$ 7,060,790	\$ -

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, 2017

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 2017-2018 eligible costs under the State Special Education Program as reported by the District are \$3,514,762.

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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

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?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
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	Yes

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2017

Section II - Financial Statement Finding

Finding No.	Internal Control Deficiencies
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2017-001 Preparation of Annual Financial Report

Repeat of Finding 2015-002

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, 2017

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

_____ Yes X No

Department of Health Services

_____ Yes X 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

December 1, 2017

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2017

Status of Prior Year Audit Findings

Finding No.	Corrective Action Plan
2015-001	<p>Adjustments to the District's Financial Records</p> <p>The District implemented additional procedures to enhance its financial reporting and reconciliations during the year.</p>
2015-002	<p>Preparation of Annual Financial Report</p> <p>Management continues to rely upon the audit firm to prepare its financial statement. The finding is repeated as 2017-001.</p>

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2017-001	<p>Preparation of Annual Financial Report</p> <p>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.</p>