

**SHOREWOOD SCHOOL DISTRICT
SHOREWOOD, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
June 30, 2015

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Shorewood, Wisconsin
June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Shorewood School District
Shorewood, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shorewood School District, ("the District") as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note C.7, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68*. 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 post-employment 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

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

Report on Summarized Financial Information

We have previously audited the District's 2014 financial statements, and our report dated November 26, 2014, 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, 2014, 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 November 30, 2015, 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
November 30, 2015

BASIC FINANCIAL STATEMENTS

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Statement of Net Position
June 30, 2015
(With summarized financial information as of June 30, 2014)

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	\$ 10,322,804	\$ 8,120,610
Receivables		
Taxes	1,635,395	1,778,886
Accounts	1,403,183	864,140
Internal balances	23,568	-
Due from other governments	325,741	666,766
Prepaid items	175,089	-
Other fund assets		
Net pension asset	2,440,970	-
Net OPEB asset	4,046,871	-
Capital assets		
Land	44,000	44,000
Construction in progress	-	5,173,999
Site improvements	5,159,138	5,105,908
Buildings	32,179,432	26,964,606
Machinery and equipment	6,348,769	6,692,811
Less: Accumulated depreciation	(17,864,990)	(17,408,695)
TOTAL ASSETS	46,239,970	38,003,031
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	2,133,226	-
Deferred charge on refunding	383,201	418,038
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,516,427	418,038
LIABILITIES		
Short-term notes payable	4,500,000	4,000,000
Accounts payable	309,789	192,761
Accrued payroll liabilities	983,438	776,897
Accrued interest payable	184,488	137,256
Deposits payable	289,361	83,600
Due to other governments	6,635	7,762
Unearned revenues	26,649	3,081
Long-term obligations		
Due within one year	2,049,621	1,850,927
Due in more than one year	21,688,425	18,936,087
TOTAL LIABILITIES	30,038,406	25,988,371
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	53,387	-
NET POSITION		
Net investment in capital assets	12,409,289	11,525,406
Restricted for		
Debt service	1,815,135	1,081,747
Food service program	-	1,761
Community service programs	795,201	469,836
Pension benefits	4,520,809	-
Unrestricted (deficit)	(875,830)	(646,052)
TOTAL NET POSITION	\$ 18,664,604	\$ 12,432,698

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, 2015
 (With summarized financial information for the year ended June 30, 2014)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Total	
				Governmental Activities	
		2015	2014		
Governmental Activities					
Instruction	\$ 15,803,763	\$ 1,737,879	\$ 3,619,756	\$ (10,446,128)	\$ (9,304,664)
Support services	9,931,325	186,968	251,916	(9,492,441)	(9,098,480)
Interest and fiscal charges	821,079	-	-	(821,079)	(727,768)
Community services	1,198,836	977,258	-	(221,578)	(79,888)
Non-program transactions	443,803	-	-	(443,803)	(436,548)
Depreciation - unallocated	881,395	-	-	(881,395)	(1,279,677)
Total Governmental Activities	\$ 29,080,201	\$ 2,902,105	\$ 3,871,672	(22,306,424)	(20,927,025)
General revenues					
Property taxes, levied for general purposes				14,620,562	14,296,689
Property taxes, levied for debt service				3,248,957	2,946,075
Property taxes, levied for community service				1,151,127	1,150,127
Other taxes				2,240	9,127
State and federal aids not restricted to specific functions				3,431,615	3,423,809
Interest and investment earnings				5,374	4,823
Miscellaneous				1,658,352	206,239
Total General Revenues				24,118,227	22,036,889
Change in net position				1,811,803	1,109,864
Net position - July 1, as previously reported				12,432,698	11,322,834
Cumulative effect of change in accounting principle				4,420,103	-
Net position - July 1, as restated				16,852,801	11,322,834
Net position - June 30				\$ 18,664,604	\$ 12,432,698

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, 2015

(With summarized financial information as of June 30, 2014)

	Special Revenue		
	General	Community Service	Special Revenue Trust
ASSETS			
Cash and investments	\$ 4,645,125	\$ 826,756	\$ 2,701,510
Receivables			
Taxes	1,635,395	-	-
Accounts	1,425,052	-	-
Due from other funds	722,612	21,848	-
Due from other governments	325,741	-	-
Prepaid items	175,089	-	-
TOTAL ASSETS	\$ 8,929,014	\$ 848,604	\$ 2,701,510
LIABILITIES AND FUND BALANCES			
Liabilities			
Short-term notes payable	\$ 4,500,000	\$ -	\$ -
Accounts payable	352,329	2,280	616
Accrued salaries and related items	932,315	51,123	-
Accrued interest payable	-	-	-
Deposits payable	289,361	-	-
Due to other funds	3,782	-	-
Due to other governments	6,635	-	-
Unearned revenue	3,081	-	-
Total Liabilities	6,087,503	53,403	616
Fund Balances			
Nonspendable			
Prepaid items	175,089	-	-
Restricted			
Debt service	-	-	-
Food service program	-	-	-
Community service	-	795,201	-
Assigned			
Gifts and donations from private parties	-	-	2,700,894
Unassigned (deficit), reported in			
General fund	2,666,422	-	-
Capital projects fund	-	-	-
Total Fund Balances	2,841,511	795,201	2,700,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,929,014	\$ 848,604	\$ 2,701,510

(Continued)

Debt Service		Capital Projects	Non-Major Fund	Total Governmental Funds	
Non-referendum	Referendum		Food Service	2015	2014
				\$ 132,477	\$ 1,863,364
-	-	-	-	1,635,395	1,778,886
-	-	-	23,568	1,448,620	864,140
3,782	-	78,950	-	827,192	852,046
-	-	-	-	325,741	666,766
-	-	-	-	175,089	-
<u>\$ 136,259</u>	<u>\$ 1,863,364</u>	<u>\$ 232,522</u>	<u>\$ 23,568</u>	<u>\$ 14,734,841</u>	<u>\$ 12,282,448</u>

\$ -	\$ -	\$ -	\$ -	\$ 4,500,000	\$ 4,000,000
-	-	-	-	355,225	192,761
-	-	-	-	983,438	776,897
-	-	-	-	-	11,545
-	-	-	-	289,361	83,600
-	-	799,842	23,568	827,192	852,046
-	-	-	-	6,635	7,762
-	-	-	-	3,081	3,081
-	-	<u>799,842</u>	<u>23,568</u>	<u>6,964,932</u>	<u>5,927,692</u>

-	-	-	-	175,089	-
136,259	1,863,364	-	-	1,999,623	1,207,458
-	-	-	-	-	1,761
-	-	-	-	795,201	1,369,711
-	-	-	-	2,700,894	469,836
-	-	-	-	2,666,422	3,630,980
-	-	(567,320)	-	(567,320)	(324,990)
<u>136,259</u>	<u>1,863,364</u>	<u>(567,320)</u>	<u>-</u>	<u>7,769,909</u>	<u>6,354,756</u>
<u>\$ 136,259</u>	<u>\$ 1,863,364</u>	<u>\$ 232,522</u>	<u>\$ 23,568</u>	<u>\$ 14,734,841</u>	<u>\$ 12,282,448</u>

SHOREWOOD SCHOOL DISTRICT

Shorewood, Wisconsin
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2015

(With summarized financial information as of June 30, 2014)

<u>Reconciliation to the Statement of Net Position</u>	2015	2014
Total Fund Balances from previous page	\$ 7,769,909	\$ 6,354,756
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,866,349	26,572,629
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	2,440,970	-
Deferred outflow of resources	2,133,226	-
Deferred inflow of resources	(53,387)	-
Deferred outflow of resources is reported in Statement of Net Position for the loss on advance refunding.	383,201	418,038
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	(23,080,000)	(19,860,000)
Premium on long-term debt	(271,871)	(214,839)
Other post-employment benefits	4,046,871	(390,167)
Pension obligation	(125,359)	(66,099)
Compensated absences	(260,817)	(255,909)
Accrued interest payable	(184,488)	(125,711)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 18,664,604</u>	<u>\$ 12,432,698</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, 2015
 (With summarized financial information for the year ended June 30, 2014)

	Special Revenue		
	General	Community Service	Special Revenue Trust
Revenues			
Property taxes	\$ 14,620,562	\$ 1,151,127	\$ -
Other local sources	571,630	979,843	1,434,571
Interdistrict sources	1,280,273	-	-
Intermediate sources	20,094	-	-
State sources	6,210,127	-	-
Federal sources	752,460	-	-
Other sources	188,157	-	-
Total Revenues	23,643,303	2,130,970	1,434,571
Expenditures			
Instruction			
Regular instruction	11,271,428	-	117,534
Vocational instruction	3,817	-	-
Special education instruction	2,948,102	-	-
Other instruction	1,126,618	-	6,560
Total Instruction	15,349,965	-	124,094
Support Services			
Pupil services	999,117	-	-
Instructional staff services	1,355,353	-	45,134
General administration services	752,153	26,062	-
School administration services	1,063,191	-	1,318
Business services	767,881	-	-
Operation and maintenance of plant	2,751,765	273,053	-
Pupil transportation services	232,395	6,451	-
Food service	-	-	-
Central services	620,092	-	-
Insurance	295,531	-	-
Other support services	-	-	-
Total Support Services	8,837,478	305,566	46,452
Community Services	-	1,199,914	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	8,064	-	-
Total Debt Service	8,064	-	-
Non-program			
General tuition payments	201,086	-	-
Special education tuition payments	188,467	-	-
Revenue transits to others	-	-	-
Adjustments and refunds	8,392	-	-
Total Non-program	397,945	-	-
Total Expenditures	24,593,452	1,505,480	170,546
Excess of Revenues Over (Under) Expenditures	(950,149)	625,490	1,264,025
Other Financing Sources (Uses)			
Long-term debt issued	-	-	-
Premium from debt issue	-	-	-
Payment to OPEB trust	-	-	-
Transfers out	(72,287)	(1,200,000)	(232,967)
Transfers in	232,967	-	1,200,000
Total Other Financing Sources (Uses)	160,680	(1,200,000)	967,033
Net Change in Fund Balances	(789,469)	(574,510)	2,231,058
Fund Balances - July 1	3,630,980	1,369,711	469,836
Fund Balances (Deficit) - June 30	\$ 2,841,511	\$ 795,201	\$ 2,700,894

(Continued)

Debt Service		Capital Projects	Non-Major Fund		Total Governmental Funds	
Non-referendum	Referendum		Food Service		2015	2014
\$ 197,608	\$ 3,051,349	\$ -	\$ -	\$ 19,020,646	\$ 18,392,891	
-	2,178	6,959	187,734	3,182,915	1,981,667	
-	-	-	-	1,280,273	1,399,989	
-	-	-	-	20,094	11,243	
-	-	-	4,981	6,215,108	6,085,568	
-	-	-	173,352	925,812	872,043	
-	-	59,000	-	247,157	200,196	
197,608	3,053,527	65,959	366,067	30,892,005	28,943,597	
-	-	-	-	11,388,962	10,954,941	
-	-	-	-	3,817	427	
-	-	-	-	2,948,102	2,795,314	
-	-	-	-	1,133,178	1,046,173	
-	-	-	-	15,474,059	14,796,855	
-	-	-	-	999,117	1,027,398	
-	-	-	-	1,400,487	1,174,526	
-	-	-	-	778,215	742,355	
-	-	-	-	1,064,509	1,079,056	
-	-	-	-	767,881	568,232	
-	-	308,289	-	3,333,107	4,716,431	
-	-	-	-	238,846	341,731	
-	-	-	394,257	394,257	391,380	
-	-	-	-	620,092	636,314	
-	-	-	-	295,531	219,291	
-	-	-	-	-	141,610	
-	-	308,289	394,257	9,892,042	11,038,324	
-	-	-	-	1,199,914	1,033,868	
70,000	1,765,000	-	-	1,835,000	1,715,000	
123,398	612,131	-	-	743,593	721,394	
193,398	2,377,131	-	-	2,578,593	2,436,394	
-	-	-	-	201,086	254,271	
-	-	-	-	188,467	164,178	
-	-	-	-	-	500	
-	-	-	45,858	54,250	17,599	
-	-	-	45,858	443,803	436,548	
193,398	2,377,131	308,289	440,115	29,588,411	29,741,989	
4,210	676,396	(242,330)	(74,048)	1,303,594	(798,392)	
-	5,055,000	-	-	5,055,000	-	
-	73,159	-	-	73,159	-	
-	(5,016,600)	-	-	(5,016,600)	-	
-	-	-	-	(1,505,254)	-	
-	-	-	72,287	1,505,254	-	
-	111,559	-	72,287	111,559	-	
4,210	787,955	(242,330)	(1,761)	1,415,153	(798,392)	
132,049	1,075,409	(324,990)	1,761	6,354,756	7,153,148	
\$ 136,259	\$ 1,863,364	\$ (567,320)	\$ -	\$ 7,769,909	\$ 6,354,756	

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2015
 (With summarized financial information for the year ended June 30, 2014)

	2015	2014
Reconciliation to the Statement of Activities		
Net Change in Fund Balances from previous page	\$ 1,415,153	\$ (798,392)
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	\$ 175,115	
Depreciation expense reported in the statement of activities	<u>(881,395)</u>	
Amount in which depreciation is (greater) less than capital outlays	(706,280)	172,549
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:	(4,908)	66,295
Changes in the net pension 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.	100,706	-
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits differs from than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The Statement of Activities reports the ARC as the expense. The difference is:	4,437,038	22,809
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:	(59,260)	(62,023)
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the Statement of Net Position, however, debt constitutes a long-term liability. The amount of debt issued is:	(5,055,000)	-
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the Statement of Activities. The amount of long-term debt principal payments:		
General obligation debt retired by District	1,835,000	1,715,000
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.	(58,777)	12,536
The loss on advanced refunding is reported in the governmental fund as an expenditure. In the Statement of Activities, this cost is deferred and amortized over the life of the bonds.	(34,837)	(34,837)
Premiums and discounts are reported in the governmental fund as an expenditure. In the Statement of Activities, these costs are capitalized and amortized over the life of the bonds.	<u>(57,032)</u>	<u>15,927</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 5)	<u>\$ 1,811,803</u>	<u>\$ 1,109,864</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, 2015
 (With summarized financial information as of June 30, 2014)

	Agency Fund	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
	Pupil Activity			2015	2014
ASSETS					
Cash and investments	\$ 138,885	\$ 1,359,844	\$ 9,820,115	\$ 11,318,844	\$ 6,326,337
Accounts receivable	-	-	45,436	45,436	-
TOTAL ASSETS	138,885	1,359,844	9,865,551	11,364,280	6,326,337
LIABILITIES					
Accounts payable	1,933	-	-	1,933	508
Other deposits payable	3,407	-	-	3,407	-
Payable to District	-	500	1,383,582	1,384,082	805,385
Due to student organizations	133,545	-	-	133,545	166,734
TOTAL LIABILITIES	138,885	500	1,383,582	1,522,967	972,627
NET POSITION					
Restricted for					
Scholarships	-	1,359,344	-	1,359,344	1,412,494
Employee benefits	-	-	8,481,969	8,481,969	3,941,216
TOTAL NET POSITION	\$ -	\$ 1,359,344	\$ 8,481,969	\$ 9,841,313	\$ 5,353,710

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, 2015
 (With summarized financial information for the year ended June 30, 2014)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2015	2014
ADDITIONS				
Contributions	\$ 5,400	\$ 5,062,036	\$ 5,067,436	\$ 96,424
Investment income	16,906	104,516	121,422	315,154
Total Additions	<u>22,306</u>	<u>5,166,552</u>	<u>5,188,858</u>	<u>411,578</u>
DEDUCTIONS				
Scholarship payments	75,456	-	75,456	87,001
Employee benefit payments	-	625,799	625,799	657,437
Total Deductions	<u>75,456</u>	<u>625,799</u>	<u>701,255</u>	<u>744,438</u>
Change in Net Position	(53,150)	4,540,753	4,487,603	(332,860)
Net Position - July 1	<u>1,412,494</u>	<u>3,941,216</u>	<u>5,353,710</u>	<u>5,686,570</u>
Net Position - June 30	<u>\$ 1,359,344</u>	<u>\$ 8,481,969</u>	<u>\$ 9,841,313</u>	<u>\$ 5,353,710</u>

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

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The District reports the following major governmental funds:

GENERAL FUND

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

COMMUNITY SERVICES SPECIAL REVENUE FUND

This fund is used to account for the District's recreation and community services department which have the primary function of serving the community.

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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL PROJECTS FUND

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

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, 2015

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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

b. Accounts Receivable

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

c. Property Taxes

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

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

d. Interfund Receivables and Payables

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

e. Capital Assets

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

f. Compensated Absences

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

g. Deferred Outflows/Inflows of Resources

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

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

h. Long-term Obligations

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

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

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

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

j. Net Position/Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 government's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

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".

The carrying amount of the District's cash and investments totaled \$21,641,648 on June 30, 2015 as summarized below:

Petty cash funds	\$ 3,750
Deposits with financial institutions	5,080,855
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	5,462,505
Investment series	652
U.S. Treasuries	59,616
Money market mutual funds	40,667
Common stock	1,087,283
Real estate investment trust	86,205
Annuity contract	9,820,115
	\$ 21,641,648

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 10,322,804
Fiduciary Funds Statement of Net Position	
Agency fund	138,885
Private purpose trust fund	1,359,844
Employee benefit trust fund	9,820,115
	<u>\$ 21,641,648</u>

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

Custodial Credit Risk

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

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

On June 30, 2015, \$9,256 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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 5,462,505	\$ 5,462,505	\$ -	\$ -	\$ -
Investment series	652	652	-	-	-
U.S. Treasuries	59,616	-	59,616	-	-
Money market mutual funds	40,667	40,667	-	-	-
Real estate investment fund	86,205	86,205	-	-	-
Totals	\$ 5,649,645	\$ 5,590,029	\$ 59,616	\$ -	\$ -

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	\$ 5,462,505	\$ 5,462,505	\$ -	\$ -	\$ -
Investment series	652	652	-	-	-
U.S. Treasuries	59,616	-	59,616	-	-
Money market mutual funds	40,667	40,667	-	-	-
Real estate investment fund	86,205	86,205	-	-	-
Totals	\$ 5,649,645	\$ 5,590,029	\$ 59,616	\$ -	\$ -

Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$9,820,115 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 \$5,463,157 at year end consisting of \$5,462,505 invested in the Cash Management Series and \$652 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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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.

2. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 44,000	\$ -	\$ -	\$ 44,000
Construction in progress	5,173,999	-	5,173,999	-
Total capital assets, not being depreciated	<u>5,217,999</u>	-	<u>5,173,999</u>	<u>44,000</u>
Capital assets, being depreciated:				
Site improvements	5,105,908	53,230	-	5,159,138
Buildings	26,964,606	5,214,826	-	32,179,432
Machinery and equipment	6,692,811	81,058	425,100	6,348,769
Total capital assets being depreciated	<u>38,763,325</u>	<u>5,349,114</u>	<u>425,100</u>	<u>43,687,339</u>
Less accumulated depreciation for:				
Site improvements	1,339,296	152,607	-	1,491,903
Buildings	10,947,649	554,377	-	11,502,026
Machinery and equipment	5,121,750	174,411	425,100	4,871,061
Total accumulated depreciation	<u>17,408,695</u>	<u>881,395</u>	<u>425,100</u>	<u>17,864,990</u>
Total capital assets, being depreciated, net	<u>21,354,630</u>	<u>4,467,719</u>	<u>-</u>	<u>25,822,349</u>
Governmental activities capital assets, net	<u>\$ 26,572,629</u>	<u>\$ 4,467,719</u>	<u>\$ 5,173,999</u>	<u>25,866,349</u>
Less:				
Capital related general obligation debt				13,775,000
Capital related debt premium				65,261
Add:				
Deferred outflows of resources - loss on advance refunding				<u>383,201</u>
Net investment in capital assets				<u>\$ 12,409,289</u>

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

Governmental activities	
Unallocated	<u>\$ 881,395</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash and temporary cash advances		
General Fund	\$ 722,612	\$ 3,782
Non-referendum debt service	3,782	-
Capital projects	78,950	799,842
Community services	21,848	-
Food service	-	23,568
Totals	\$ 827,192	\$ 827,192

Interfund transfers between individual funds of the District as of June 30, 2015 are detailed below:

	Transfer to:		
	General	Special Revenue Trust	Food Service
Transfers from:			
General fund	\$ -	\$ -	\$ 72,287
Community services	-	1,200,000	-
Special revenue trust	232,967	-	-
Total	\$ 232,967	\$ 1,200,000	\$ 72,287

These transfers represent a transfer to cover a deficit in the food service fund, reimburse general fund expenditures for amounts set aside in the special revenue trust and a one-time transfer allowed by the DPI from the Community Services fund to the special projects fund.

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, 2015 was as follows:

	Outstanding 7/1/14	Issued	Retired	Outstanding 6/30/15
Tax and Revenue Anticipation Promissory Notes				
\$4,000,000 issued 10/22/13; \$4,000,000 due 8/22/14; interest 0.417%	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
\$4,500,000 issued 10/3/14; \$4,500,000 due 8/21/15; interest 1.00%	-	4,500,000	-	4,500,000
Note Anticipation Notes				
\$5,030,000 issued 1/6/15; \$5,030,000 due 6/10/15; interest .55%	-	5,030,000	5,030,000	-
Line of Credit				
\$1,200,000 opened 11/12/14, maturity date 2/28/15; interest is prime rate (3.25%) plus 1.00%	-	1,200,000	1,200,000	-
	\$ 4,000,000	\$ 10,730,000	\$ 10,230,000	\$ 4,500,000

Total interest paid for the year on short-term debt totaled \$15,287.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Note Anticipation Notes

Note anticipation notes do not constitute a general obligation of the District and no lien is created upon any property of the District as a result of the issuance of the notes. The notes are payable only from (a) proceeds of the notes set aside for payment of interest; (b) proceeds of the securities issued pursuant to Wisconsin Statutes, Chapter 67, which the District has covenanted to issue in such amount and at such time as may be necessary to retire the then outstanding notes and (c) from other available funds as may be appropriated by the District. Note anticipation notes issued totaling \$5,030,000 on January 6, 2015 were paid off with a General Obligation Refunding Bond issued on April 1, 2015.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2015:

	Outstanding 7/1/14	Issued	Retired	Outstanding 6/30/15	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 13,145,000	\$ 5,055,000	\$ 450,000	\$ 17,750,000	\$ 600,000
Notes	6,715,000	-	1,385,000	5,330,000	1,430,000
Total	19,860,000	5,055,000	1,835,000	23,080,000	2,030,000
Debt premium	214,839	73,882	16,851	271,870	19,621
Other post-employment benefits	390,167		390,167	-	-
Pension benefits	66,099	84,932	25,672	125,359	-
Compensated absences	255,909	4,908	-	260,817	-
Governmental activities Long-term obligations	<u>\$ 20,787,014</u>	<u>\$ 5,218,722</u>	<u>\$ 2,267,690</u>	<u>\$ 23,738,046</u>	<u>\$ 2,049,621</u>

Total interest paid during the year on long-term debt totaled \$638,075.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/15
Taxable Refunding Bonds	\$ 3,595,000	07/19/11	2.00% - 4.60%	04/01/26	\$ 3,000,000
Taxable Refunding Bonds	5,060,000	09/27/11	2.00% - 4.30%	04/01/31	4,250,000
General Obligation School Improvement Bonds	5,515,000	02/01/13	2.00% - 3.00%	10/01/28	5,445,000
General Obligation Refunding Bonds	5,055,000	04/01/15	3.00% - 3.95%	04/01/35	5,055,000
General Obligation Notes	6,480,000	07/30/08	3.00% - 4.00%	04/01/18	3,270,000
General Obligation Notes	3,170,000	06/01/10	2.00% - 3.50%	06/01/20	2,060,000
Total General Obligation Debt					<u>\$ 23,080,000</u>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$23,080,000 on June 30, 2015 are detailed below:

Year Ended	Governmental Activities		
	Principal	Interest	Total
2016	\$ 2,030,000	\$ 737,193	\$ 2,767,193
2017	2,195,000	673,556	2,868,556
2018	2,270,000	600,356	2,870,356
2019	1,195,000	522,982	1,717,982
2020	1,465,000	482,542	1,947,542
2021-2025	6,435,000	1,799,081	8,234,081
2026-2030	5,540,000	817,999	6,357,999
2031-2035	1,950,000	203,628	2,153,628
	<u>\$ 23,080,000</u>	<u>\$ 5,837,337</u>	<u>\$ 28,917,337</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2015 was \$121,518,009 as follows:

Equalized valuation of the District	\$ 1,428,837,625
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>142,883,763</u>
Total outstanding general obligation debt	\$ 23,080,000
Less: Amounts available for financing general obligation debt	
Debt service funds ⁽¹⁾	<u>1,714,246</u>
Net outstanding general obligation debt applicable to debt limitation	<u>21,365,754</u>
Legal Margin for New Debt	<u><u>\$ 121,518,009</u></u>

⁽¹⁾ Debt service funds less interest payments of \$285,377 due in 2015.

6. Minimum Fund Balance

The Board of Education has adopted a policy that fund balance in the amount of 15% of general fund expenditures be maintained for cash flow management, reducing the need for short-term borrowing, safeguarding against unexpected expenses or unrealized revenues, and maintaining a high credit rating for the district. The unassigned general fund balance at June 30, 2015 is \$2,666,422. The minimum fund balance amount is calculated as follows:

Actual 2014-2015 General Fund Expenditures	\$ 24,593,452
Minimum Fund Balance %	15%
Minimum Fund Balance Amount	<u><u>\$ 3,689,018</u></u>

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION

7. Pension Plan

a. Plan Description

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

c. Contributions

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

During the reporting period, the WRS recognized \$985,105 in contributions from the District.

Contribution rates as of June 30, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2015, the District reported an asset of \$2,440,970 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.09937694%, which was an increase of 0.002021% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$945,715.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

At June 30, 2015, 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	\$ 353,865	\$ -
Net differences between projected and actual earnings on pension plan investments	1,182,035	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	53,387
Employer contributions subsequent to the measurement date	597,326	-
Total	\$ 2,133,226	\$ 53,387

\$597,326 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 asset in the year ended June 30, 2016. 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 December 31,	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$ 350,502	\$ 12,183
2016	350,502	12,183
2017	350,502	12,183
2018	350,502	12,183
2019	133,892	4,655

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset	December 31, 2014
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% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 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:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

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 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 6,886,395	\$ (2,440,970)	\$ (9,807,345)

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://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At June 30, 2015 the District reported a payable of \$319,761 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

8. Other Pension Plan

a. Plan Description

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide a cash stipend to some retirees. As summary of the plan follows:

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

Pension	Eligibility Requirements		Benefit Duration	Benefit Amount
	Age	Service		
Administrators	55	15	Lump Sum	1 week of pay per year of service, maximum of 25 years of service
Teachers	55	15	Lump Sum	Daily rate times years of service, plus \$1,000 for less than 25 years, \$2,000 for 25+ years, \$3,000 for 30+ years and \$3,500 for 35+ years

The plan is administered by the District and does not issue separate financial statements.

b. 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.

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2015 and related actuarial assumptions used for the current year are as follows:

Component	Amount
Annual required contribution (ARC)	\$ 82,466
Interest on net pension obligation	2,644
Adjustment to ARC	(178)
Annual pension cost (expense)	84,932
Contributions made	25,672
Change in net pension obligation	59,260
Net pension obligation - beginning of year	66,099
Net pension obligation - end of year	<u>\$ 125,359</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, 2013
Actuarial cost method	Projected unit cost
Amortization method	Level percentage of pay, open basis
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.00%
Inflation rate	3.00%

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Required Contribution (ARC)	Percentage of Annual Pension Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/13	100,593	100,183	73.1%	73.4%	4,076
6/30/14	82,446	82,466	24.8%	24.8%	66,099

d. Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$684,511. With no plan assets, the unfunded actuarial accrued liability was also \$684,511.

9. 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.

a. Plan Description and Contribution Information

Membership of the Plan at July 1, 2013, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	148	22	170
Administrators	9	4	13
Secretarial/Clerical	16	4	20
Custodial/Maintenance	19	4	23
Others	8	1	9
Total	200	35	235

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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. 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	Number of years from the date of retirement until the retiree is eligible for Medicare times the health insurance premium at retirement times 87.4% times a factor.
	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, 2015

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		Number of years from the date of retirement until the retiree is eligible for Medicare times the health insurance premium at retirement times 87.4% times a factor.
	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		Number of years from the date of retirement until the retiree is eligible for Medicare times the health insurance premium at retirement times 87.4% times a factor.
	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		Number of years from the date of retirement until the retiree is eligible for Medicare times the health insurance premium at retirement times 87.4% times a factor.
	60	15	Between 7/1/05 and 6/30/09	After 7/1/14		Number of years from the date of retirement until the retiree is eligible for Medicare times the health insurance premium at retirement times 87.4% times a factor.
	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, 2015

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	\$ 581,075
Interest on net OPEB	15,607
Adjustment to annual required contribution	<u>(17,120)</u>
Annual OPEB cost (expense)	579,562
Contributions made	<u>5,016,600</u>
Change in net OPEB obligation	(4,437,038)
Net OPEB obligation - beginning of year	<u>390,167</u>
Net OPEB asset - end of year	<u>\$ (4,046,871)</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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open basis
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.00%
Healthcare cost trend rate	3.5% 2014 to 7.5% 2015-2016 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)
6/30/13	1,620,889	1,611,419	41.8%	42.0%	412,976
6/30/14	566,508	568,760	104.0%	103.6%	390,167
6/30/15	579,562	581,075	865.6%	863.3%	(4,046,871)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

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%

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.

4. 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.

5. 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.

6. 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, 2015

NOTE C - OTHER INFORMATION (Continued)

7. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. Financial statements for the year ended June 30, 2014, have not been restated. The cumulative effect of this change was to increase the June 30, 2015 net position of the governmental activities by \$4,420,103.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 14,620,562	\$ 14,620,562	\$ 14,620,562	\$ -
Other local sources	1,061,257	1,061,257	571,630	(489,627)
Interdistrict sources	1,434,131	1,434,131	1,280,273	(153,858)
State sources	5,349,217	5,357,127	5,374,135	17,008
Federal sources	152,000	202,722	247,116	44,394
Other sources	1,500	1,500	187,457	185,957
Total Revenues	22,618,667	22,677,299	22,281,173	(396,126)
Expenditures				
Instruction				
Regular instruction	11,331,874	11,303,976	11,271,428	32,548
Vocational instruction	4,660	4,660	3,173	1,487
Other instruction	979,355	972,923	1,114,224	(141,301)
Total Instruction	12,315,889	12,281,559	12,388,825	(107,266)
Support Services				
Pupil services	639,620	645,942	641,954	3,988
Instructional staff services	1,074,425	1,117,673	1,119,024	(1,351)
General administration services	762,996	762,996	744,284	18,712
School administration services	1,055,847	1,056,847	1,063,191	(6,344)
Business services	595,248	595,248	767,881	(172,633)
Operation and maintenance of plant	2,532,153	2,532,153	2,747,248	(215,095)
Pupil transportation services	214,101	214,251	164,445	49,806
Central services	540,868	533,868	615,892	(82,024)
Insurance	269,448	269,448	295,531	(26,083)
Other support services	45,000	45,000	-	45,000
Total Support Services	7,729,706	7,773,426	8,159,450	(386,024)
Debt service				
Interest and fiscal charges	17,400	17,400	8,064	9,336
Non-program				
General tuition payments	240,780	240,780	201,086	39,694
Adjustments and refunds	6,550	6,550	8,392	(1,842)
Total Non-program	247,330	247,330	209,478	37,852
Total Expenditures	20,310,325	20,319,715	20,765,817	(446,102)
Excess of Revenues Over Expenditures	2,308,342	2,357,584	1,515,356	(842,228)
Other Financing Sources (Uses)				
Transfers in	-	-	232,967	232,967
Transfers out	(2,405,711)	(2,405,711)	(2,537,792)	(132,081)
Total Other Financing Sources (Uses)	(2,405,711)	(2,405,711)	(2,304,825)	100,886
Net Change in Fund Balance	(97,369)	(48,127)	(789,469)	(741,342)
Fund Balance - July 1	3,630,980	3,630,980	3,630,980	-
Fund Balance - June 30	\$ 3,533,611	\$ 3,582,853	\$ 2,841,511	\$ (741,342)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intermediate sources	\$ 18,696	\$ 18,696	\$ 20,094	\$ 1,398
State sources	758,623	758,623	835,992	77,369
Federal sources	584,697	682,429	505,344	(177,085)
Other sources	-	-	700	700
Total Revenues	1,362,016	1,459,748	1,362,130	(97,618)
Expenditures				
Instruction				
Vocational instruction	1,000	644	644	-
Special education instruction	2,949,686	2,956,883	2,948,102	8,781
Other Instruction	-	-	12,394	(12,394)
Total Instruction	2,950,686	2,957,527	2,961,140	(3,613)
Support Services				
Pupil services	398,451	397,831	357,163	40,668
Instructional staff services	146,780	165,769	236,329	(70,560)
General administration services	-	-	7,869	(7,869)
Pupil transportation services	123,051	145,051	67,950	77,101
Operation and maintenance of plant	-	4,517	4,517	-
Central services	4,500	4,200	4,200	-
Total Support Services	672,782	717,368	678,028	39,340
Non-program				
Special education tuition payments	144,259	190,745	188,467	2,278
Total Expenditures	3,767,727	3,865,640	3,827,635	38,005
Excess of Revenues Over (Under) Expenditures	(2,405,711)	(2,405,892)	(2,465,505)	(59,613)
Other Financing Sources				
Transfers in	2,405,711	2,405,711	2,465,505	59,794
Net Change in Fund Balance	-	(181)	-	181
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ (181)	\$ -	\$ 181

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, 2015

Other Post-Employment Plan				
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	
2013	\$ 676,972	\$ 1,611,419	42.01%	
2014	589,317	568,760	103.61%	
2015	5,016,600	581,075	863.33%	

Other Pension Plan				
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	
2013	\$ 73,563	\$ 100,183	73.4%	
2014	20,423	82,466	24.8%	
2015	25,672	82,466	31.1%	

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, 2015

Other Post-Employment Plan						
Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(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)
2006	\$ -	\$ 10,877,791	0.0%	\$ 10,877,791	N/A	N/A
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%

Other Pension Plan						
Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(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	\$ -	\$ 854,360	0.0%	\$ 854,360	N/A	N/A
2013	-	684,511	0.0%	684,511	\$ 12,449,893	5.5%

See Notes to Required Supplementary Information.

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

	2015
Proportion of the net pension asset	0.09937694%
Proportionate share of the net pension asset	\$ 2,440,970
Covered-employee payroll	13,959,685
Plan fiduciary net position as a percentage of the total	102.74%

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

See Notes to Required Supplementary Information.

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

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

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

See Notes to Required Supplementary Information.

SHOREWOOD SCHOOL DISTRICT
Shorewood, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – *An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. Information for prior years is not available.

NOTE B – WISCONSIN RETIREMENT SYSTEM

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

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2015.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Notes to Required Supplementary Information
 For the Year Ended June 30, 2015

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)	\$ 22,281,173	\$ 1,362,130
Reclassification of special education	1,362,130	(1,362,130)
Total Revenues	<u>23,643,303</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	20,765,817	3,827,635
Reclassification of special education	3,827,635	(3,827,635)
Total Expenditures	<u>24,593,452</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	1,515,356	(2,465,505)
Reclassification of special education	(2,465,505)	2,465,505
Excess of Revenues Over (Under) Expenditures	<u>(950,149)</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,304,825)	2,465,505
Reclassification of special education	2,465,505	(2,465,505)
Total Other Financing Sources (Uses)	<u>160,680</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>(789,469)</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>3,630,980</u>	<u>-</u>
Fund Balance - June 30		
Fund Balance - June 30	<u>\$ 2,841,511</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 For the Year Ended June 30, 2015

	Balance 7/1/14	Additions	Deletions	Balance 06/30/15
ASSETS				
Cash and investments	\$ 214,345	\$ 260,170	\$ 335,630	\$ 138,885
LIABILITIES				
Accounts payable	\$ 508	\$ 1,425	\$ -	\$ 1,933
Other deposits payable	-	3,407	-	3,407
Payable to District	47,103	-	47,103	-
Due to parent organization	-	13,996	-	13,996
Due to student organizations	166,734	241,342	288,527	119,549
TOTAL LIABILITIES	\$ 214,345	\$ 260,170	\$ 335,630	\$ 138,885

**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 the Shorewood School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Shorewood School District's basic financial statements, and have issued our report which included an emphasis of matter paragraph as indicated on page 2 dated November 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Shorewood School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shorewood School District's internal control.

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

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

Compliance and Other Matters

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

Shorewood School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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
November 30, 2015

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 OMB CIRCULAR A-133 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) Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shorewood School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-03 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 30, 2015

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	(Accrued Receivable) Deferred Revenue 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
U.S. Department of Agriculture							
<i>Child Nutrition Cluster</i>							
School Breakfast Program							
July 1, 2013 - June 30, 2014	WDPI	10.553	\$ (277)	\$ 277	\$ -	\$ -	\$ -
July 1, 2014 - June 30, 2015	WDPI		-	7,141	-	7,141	7,141
Total School Breakfast Program			(277)	7,418	-	7,141	7,141
National School Lunch Program							
Cash Assistance:							
July 1, 2013 - June 30, 2014	WDPI		(6,112)	6,112	-	-	-
July 1, 2014 - June 30, 2015	WDPI		-	135,166	-	135,166	135,166
Non-Cash Assistance (Commodities)	WDPI		-	31,045	-	31,045	31,045
Total National School Lunch Program	WDPI	10.555	(6,112)	172,323	-	166,211	166,211
<i>Total Child Nutrition Cluster and U.S. Department of Agriculture</i>			(6,389)	179,741	-	173,352	173,352
U.S. Department of Education							
Title I Grants to Local Educational Agencies							
July 1, 2013 - June 30, 2014	WDPI	84.010	(31,213)	31,213	-	-	-
July 1, 2014 - June 30, 2015	WDPI		-	125,123	16,777	141,900	141,900
Total Title I Grants to Local Educational Agencies			(31,213)	156,336	16,777	141,900	141,900

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2015

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	(Accrued Receivable) Deferred Revenue 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
U.S. Department of Education (Continued)							
<i>Special Education Cluster (IDEA)</i>							
Special Education - Grants to States		84.027					
IDEA Flow-Through							
July 1, 2013 - June 30, 2014	WDPI		(357,767)	357,767	-	-	-
July 1, 2014 - June 30, 2015	WDPI		-	352,893	121,690	474,583	474,583
Total Special Education - Grants to States			(357,767)	710,660	121,690	474,583	474,583
Special Education - Preschool Grants		84.173					
July 1, 2014 - June 30, 2015	WDPI		-	9,218	-	9,218	9,218
<i>Total Special Education Cluster</i>			(357,767)	719,878	121,690	483,801	483,801
Gaining Early Awareness and Readiness for Undergraduate Programs	WDPI	84.334	(4,406)	4,406	-	-	-
English Language Acquisition State Grants		84.365					
Immigrant Discretionary							
July 1, 2014 - June 30, 2015	WDPI		(16,158)	16,158	-	-	-
English Language Acquisition State Grants		84.365					
July 1, 2013 - June 30, 2014	WDPI		(18,542)	18,542	-	-	-
July 1, 2014 - June 30, 2015	WDPI		-	19,568	1,332	20,900	20,900
Total English Language Acquisition State Grants			(34,700)	54,268	1,332	20,900	20,900
Improving Teacher Quality State Grants		84.367					
July 1, 2012 - June 30, 2013	WDPI		(252)	252	-	-	-
July 1, 2013 - June 30, 2014	WDPI		(1,373)	1,373	-	-	-
July 1, 2014 - June 30, 2015	WDPI		-	24,918	12,105	37,023	37,023
Total Improving Teacher Quality State Grants			(1,625)	26,543	12,105	37,023	37,023
Total U.S. Department of Education			(429,711)	961,431	151,904	683,624	683,624

(Continued)

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2015

Administering Agency Award Description	Pass-through Agency	Federal Catalog Number	(Accrued Receivable) Deferred Revenue 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
U.S. Department of Health and Human Services							
<i>Medicaid Cluster</i>							
Medical Assistance Program - School Based Services	WDHS	93.778	(1,126)	54,068	14,332	67,274	67,274
Total U.S. Department of Health and Human Services			<u>(1,126)</u>	<u>54,068</u>	<u>14,332</u>	<u>67,274</u>	<u>67,274</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ (437,226)</u>	<u>\$ 1,195,240</u>	<u>\$ 166,236</u>	<u>\$ 924,250</u>	<u>\$ 924,250</u>

Reconciliation to Basic Financial Statements

Federal sources

Financial awards reported with interdistrict sources

Total Federal Financial Assistance

Pass-Through Agencies

WDPI: Wisconsin Department of Public Instruction

WDHS: Wisconsin Department of Health Services

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of State Financial Assistance
 Year Ended June 30, 2015

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number	(Accrued Receivable) Deferred Revenue 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
<u>Wisconsin Department of Public Instruction</u>							
Special Education and School Age Parents	Direct Awards	255.101	\$ -	\$ 835,992	\$ -	\$ 835,992	\$ 835,992
State School Lunch	Direct Awards	255.102	-	4,635	-	4,635	4,635
Common School Fund Library Aid	Direct Awards	255.103	-	61,429	-	61,429	61,429
Bilingual - Bicultural Aid	Direct Awards	255.106	-	4,124	-	4,124	4,124
Pupil Transportation Aid	Direct Awards	255.107	-	221	-	221	221
General Equalization	Direct Awards	255.201	(61,400)	3,435,120	60,208	3,433,928	3,433,928
Integration Aid	Direct Awards	255.204	-	1,607,826	-	1,607,826	1,607,826
School Breakfast Program	Direct Awards	255.344	-	346	-	346	346
Educator Effectiveness Eval Sys Grants Public	Direct Awards	255.940	-	12,720	-	12,720	12,720
Per Pupil Aid	Direct Awards	255.945	-	256,200	-	256,200	256,200
Total Wisconsin Department of Public Instruction			(61,400)	6,218,613	60,208	6,217,421	6,217,421
TOTAL STATE FINANCIAL ASSISTANCE			\$ (61,400)	\$ 6,218,613	\$ 60,208	\$ 6,217,421	\$ 6,217,421

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, 2015

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 2014-2015 eligible costs under the State Special Education Program as reported by the District are \$3,248,904.

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.

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

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?	Yes
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 Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

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

State ID. Number	Name of State Programs
255.101	Special Education and School Age Parents <i>General Aids Cluster</i>
255.201	General Equalization Aids

Audit threshold used to determine between Type A and Type B federal programs:	\$300,000
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	No

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section II - Financial Statement Finding

Finding No.	Internal Control Deficiencies
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2015-001 Adjustments to the District's Financial Records

Condition: As part of our 2014-2015 audit, we proposed adjusting journal entries that were material to the District's financial statement.

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

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

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

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section II - Financial Statement Finding (Continued)

Finding No.	Control Deficiencies
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2015-002 Preparation of Annual Financial Report

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

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

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

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

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

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)

Finding No.	Internal Control Deficiencies
2015-003	<p>Segregation of Duties Over the Student Eligibility and Verification Process for the Free and Reduced Lunch Program</p> <p>U.S. Department of Agriculture Passed through Wisconsin Department of Public Instruction Child Nutrition Cluster CFDA #: 10.553, 10.555</p> <p>Compliance Requirements: Eligibility and Special Tests</p> <p>Condition: The free and reduced price application eligibility determination and verification process is completed by the same employee.</p> <p>Criteria: The District is required to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Adequate segregation of duties provided between performance, review, and record keeping of a task is a control activity which will reasonably ensure compliance with Federal laws, regulations and program requirements.</p> <p>Cause: The current processes in place do not have a supervisory review of the work completed under the program.</p> <p>Effect: The District may not be able to prevent, detect and correct a potential error in a student's eligibility; Therefore, the District may be inadvertently charging the student the incorrect price for meals as well as being incorrectly reimbursed under the Federal free and reduced lunch program.</p> <p>Recommendation: We recommend the District add the following review processes to its current procedures:</p> <p>Currently, the free and reduced lunch data is entered into the NutriKids POS software by a Business Office employee and the same employee reviews the data for errors. The data being entered into NutriKids POS software should be reviewed for accuracy by someone other than the Business Office employee. The reviewed data print out should be initialed, dated and retained in the program's files.</p>

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section IV - Other Issues

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

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

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

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

Name and signature of shareholder



 David L. Maccoux, CPA

Date of report

November 30, 2015

SHOREWOOD SCHOOL DISTRICT
 Shorewood, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2015

Status of Prior Year Audit Findings

Finding 2014-001 Adjustments to the District's Financial Records – This finding has been repeated as 2015-001.

Finding 2014-002 Preparation of Annual Financial Report – This finding has been repeated as 2015-002.

Finding 2014-003 Timely Reconciliation of General Ledger Accounts – Reconciliations were completed timely, and procedures have been put in place to address the finding from the previous fiscal year.

Finding 2014-004 Segregation of Duties Over the Student Eligibility and Verification Process for the Free and Reduced Lunch Program – This finding has been repeated as 2015-003.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2015-001	<p>Adjustments to the District's Financial Records</p> <p>The District experienced turnover within the business office during the 2012-13 fiscal year. A new Director of Business Services was hired during the year and began evaluating current procedures within the office to enhance financial reporting. This evaluation will be completed during the 2014-15 fiscal year. The evaluation took place during the 14-15 year as discussed above, however there were still material adjustments.</p>
2015-002	<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>
2015-003	<p>Segregation of Duties Over the Student Eligibility and Verification Process for the Free and Reduced Lunch Program</p> <p>The District will look to segregate the responsibility for student eligibility and verification for free and reduced lunch programs.</p>