

Shorewood School District  
Shorewood, Wisconsin

**ANNUAL FINANCIAL REPORT**

June 30, 2019

# Shorewood School District

## Shorewood, Wisconsin

JUNE 30, 2019

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# Shorewood School District

## Shorewood, Wisconsin

JUNE 30, 2019

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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, Shorewood, Wisconsin (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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 from 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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 37 through 42 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 are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards and schedule of expenditures of state awards 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Prior Year Summarized Financial Information**

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated December 10, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 27, 2019

## BASIC FINANCIAL STATEMENTS

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# Shorewood School District

## Shorewood, Wisconsin

### STATEMENT OF NET POSITION

JUNE 30, 2019

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and investments	\$ 6,349,441	\$ 5,373,249
Receivables		
Taxes	2,003,232	2,187,616
Accounts	309,256	319,753
Due from other governments	255,683	236,351
Prepaid items	20,539	162,069
Net pension asset	-	3,129,315
Capital assets		
Nondepreciable	44,000	44,000
Depreciable, net	23,670,082	24,107,591
Total assets	<u>32,652,233</u>	<u>35,559,944</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on advance refunding	243,853	278,690
Pension related amounts	9,775,457	5,248,645
Total deferred outflows of resources	<u>10,019,310</u>	<u>5,527,335</u>
<b>LIABILITIES</b>		
Accounts payable	755,123	266,645
Accrued and other current liabilities	1,194,399	1,183,294
Accrued interest payable	73,613	106,158
Unearned revenues	-	21,514
Deposits payable	1,145,348	327,624
Long-term obligations		
Due in one year	1,477,817	1,214,621
Due in more than one year	9,246,836	13,486,234
Other postemployment benefits liability	1,802,693	1,570,057
Net pension liability	4,636,823	773,731
Total liabilities	<u>20,332,652</u>	<u>18,949,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related amounts	5,401,202	6,406,347
<b>NET POSITION</b>		
Net investment in capital assets	17,886,909	17,594,408
Restricted	3,061,617	5,766,831
Unrestricted	(4,010,837)	(7,630,185)
Total net position	<u>\$ 16,937,689</u>	<u>\$ 15,731,054</u>

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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 18,526,119	\$ 1,652,502	\$ 2,661,914	\$ (14,211,703)	\$ (12,973,413)
Support services	11,430,094	315,888	427,648	(10,686,558)	(9,708,589)
Community services	1,427,366	1,091,643	-	(335,723)	(487,369)
Non-program	688,077	-	132,415	(555,662)	(755,206)
Interest and fiscal charges	554,629	-	-	(554,629)	(658,557)
Depreciation - unallocated	1,148,806	-	-	(1,148,806)	(1,189,456)
<b>Total governmental activities</b>	<b>\$ 33,775,091</b>	<b>\$ 3,060,033</b>	<b>\$ 3,221,977</b>	<b>(27,493,081)</b>	<b>(25,772,590)</b>
General revenues					
Property taxes				21,653,655	20,815,294
Other taxes				5,888	1,000
State and federal aids not restricted to specific functions				6,377,661	5,967,034
Interest and investment earnings				152,058	102,836
Gain on disposal of capital assets				-	2,000
Miscellaneous				510,454	563,834
Total general revenues				28,699,716	27,451,998
<b>Change in net position</b>				<b>1,206,635</b>	<b>1,679,408</b>
<b>Net position - July 1</b>				<b>15,731,054</b>	<b>19,641,713</b>
<b>Cumulative effect of change in accounting principle</b>				<b>-</b>	<b>(5,590,067)</b>
<b>Net Position - July, 1 restated</b>				<b>15,731,054</b>	<b>14,051,646</b>
<b>Net position - June 30</b>				<b>\$ 16,937,689</b>	<b>\$ 15,731,054</b>

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, 2019**

**WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018**

	<u>General</u>	<u>Donations</u>	<u>Referendum Debt Service Fund</u>	<u>Capital Projects</u>
<b>ASSETS</b>				
Cash and investments	\$ 3,428,145	\$ 532,493	\$ 1,022,990	\$ 801,009
Receivables				
Taxes	373,874	-	1,629,358	-
Accounts	277,364	6,828	-	-
Due from other funds	-	-	-	-
Due from other governments	235,871	-	-	-
Prepaid items	20,539	-	-	-
	<u>4,335,793</u>	<u>539,321</u>	<u>2,652,348</u>	<u>801,009</u>
Total assets	<u>\$ 4,335,793</u>	<u>\$ 539,321</u>	<u>\$ 2,652,348</u>	<u>\$ 801,009</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 195,912	\$ 490,426	\$ -	\$ -
Accrued and other current liabilities	1,133,499	1,878	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	345,348	-	-	800,000
	<u>1,674,759</u>	<u>492,304</u>	<u>-</u>	<u>800,000</u>
Total liabilities	<u>1,674,759</u>	<u>492,304</u>	<u>-</u>	<u>800,000</u>
Fund balances				
Nonspendable	20,539	-	-	-
Restricted	-	-	2,652,348	1,009
Committed	-	47,017	-	-
Unassigned	2,640,495	-	-	-
	<u>2,661,034</u>	<u>47,017</u>	<u>2,652,348</u>	<u>1,009</u>
Total fund balances	<u>2,661,034</u>	<u>47,017</u>	<u>2,652,348</u>	<u>1,009</u>
Total liabilities and fund balances	<u>\$ 4,335,793</u>	<u>\$ 539,321</u>	<u>\$ 2,652,348</u>	<u>\$ 801,009</u>

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

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Other Governmental Funds	Totals	
	2019	2018
\$ 564,804	\$ 6,349,441	\$ 5,373,249
-	2,003,232	2,187,616
25,064	309,256	300,665
-	-	14,972
19,812	255,683	236,351
-	20,539	162,069
<u>\$ 609,680</u>	<u>\$ 8,938,151</u>	<u>\$ 8,274,922</u>

\$ 68,785	\$ 755,123	\$ 247,557
59,022	1,194,399	1,183,294
-	-	14,972
-	-	21,514
-	1,145,348	327,624
<u>127,807</u>	<u>3,094,870</u>	<u>1,794,961</u>

-	20,539	162,069
481,873	3,135,230	2,743,674
-	47,017	1,080,643
-	2,640,495	2,493,575
<u>481,873</u>	<u>5,843,281</u>	<u>6,479,961</u>
<u>\$ 609,680</u>	<u>\$ 8,938,151</u>	<u>\$ 8,274,922</u>

# Shorewood School District

## Shorewood, Wisconsin

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

**WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018**

	<b>2019</b>	<b>2018</b>
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Total fund balances as shown on previous page	\$ 5,843,281	\$ 6,479,961
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	23,714,082	24,151,591
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds:		
Loss on advance refunding	243,853	278,690
Deferred outflows related to pensions	9,775,457	5,248,645
Deferred inflows related to pensions	(5,401,202)	(6,406,347)
Long-term asset are not considered available; therefore, are not reported in the funds:		
Net pension asset	-	3,129,315
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(10,480,000)	(14,290,000)
Debt premium	(193,386)	(213,007)
Compensated absences	(51,267)	(197,848)
Other postemployment benefits liability (asset)	(1,802,693)	(1,570,057)
Net pension liability	(4,636,823)	(773,731)
Accrued interest on long-term obligations	(73,613)	(106,158)
Net position of governmental activities as reported on the statement of net position (see page 4)	\$ 16,937,689	\$ 15,731,054

*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, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	General	Donations	Referendum Debt Service Fund	Capital Projects	Other Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 16,037,742	\$ -	\$ 4,059,184	\$ -	\$ 1,556,729
Other local sources	974,913	344,210	49,948	1,009	1,408,808
Interdistrict sources	1,007,111	-	-	-	-
Intermediate sources	2,461	-	-	-	-
State sources	8,449,814	-	-	-	4,775
Federal sources	836,029	-	-	-	150,214
Other sources	84,770	-	-	-	-
Total revenues	<u>27,392,840</u>	<u>344,210</u>	<u>4,109,132</u>	<u>1,009</u>	<u>3,120,526</u>
<b>EXPENDITURES</b>					
Instruction					
Regular instruction	12,734,387	306,859	-	-	-
Vocational instruction	117,648	2,055	-	-	-
Special education instruction	3,011,449	-	-	-	-
Other instruction	1,293,381	141,904	-	-	-
Total instruction	<u>17,156,865</u>	<u>450,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support services					
Pupil services	1,440,699	-	-	-	-
Instructional staff services	1,475,158	190,024	-	-	-
General administration services	585,776	5,776	-	-	63,289
School administration services	1,270,794	73	-	-	-
Business services	614,530	-	-	-	35,967
Operations and maintenance of plant	3,073,965	731,145	-	-	504,357
Pupil transportation services	193,179	-	-	-	14,947
Food services	-	-	-	-	486,242
Central services	463,755	-	-	-	-
Insurance	257,383	-	-	-	8,961
Other support services	117,768	-	-	-	49
Total support services	<u>9,493,007</u>	<u>927,018</u>	<u>-</u>	<u>-</u>	<u>1,113,812</u>
Debt service					
Principal	-	-	992,804	-	105,000
Payment to advance escrow agent	-	-	2,712,196	-	-
Interest and fiscal charges	34,175	-	421,334	-	116,449
Total debt service	<u>34,175</u>	<u>-</u>	<u>4,126,334</u>	<u>-</u>	<u>221,449</u>
Community service					
	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,808</u>
Non-program					
General tuition payments	462,405	-	-	-	-
Special education tuition payments	225,189	-	-	-	-
Adjustments and refunds	339	-	-	-	144
Revenue transits to others	-	-	-	-	-
Total non-program	<u>687,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144</u>
Total expenditures	<u>27,372,014</u>	<u>1,377,836</u>	<u>4,126,334</u>	<u>-</u>	<u>2,728,213</u>
Excess of revenues over (under) expenditures	<u>20,826</u>	<u>(1,033,626)</u>	<u>(17,202)</u>	<u>1,009</u>	<u>392,313</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	15,436
Transfers out	(15,436)	-	-	-	-
Total other financing sources (uses)	<u>(15,436)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,436</u>
<b>Net change in fund balances</b>	<u>5,390</u>	<u>(1,033,626)</u>	<u>(17,202)</u>	<u>1,009</u>	<u>407,749</u>
<b>Fund balances - July 1</b>	<u>2,655,644</u>	<u>1,080,643</u>	<u>2,669,550</u>	<u>-</u>	<u>74,124</u>
<b>Fund balances - June 30</b>	<u>\$ 2,661,034</u>	<u>\$ 47,017</u>	<u>\$ 2,652,348</u>	<u>\$ 1,009</u>	<u>\$ 481,873</u>

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

<b>Totals</b>	
<b>2019</b>	<b>2018</b>
\$ 21,653,655	\$ 20,815,294
2,778,888	2,660,534
1,007,111	1,081,163
2,461	15,829
8,454,589	8,012,577
986,243	917,368
84,770	176,762
<u>34,967,717</u>	<u>33,679,527</u>
13,041,246	12,841,250
119,703	116,819
3,011,449	3,142,123
1,435,285	1,429,128
<u>17,607,683</u>	<u>17,529,320</u>
1,440,699	1,195,294
1,665,182	1,462,807
654,841	735,890
1,270,867	1,213,614
650,497	598,528
4,309,467	3,629,299
208,126	243,426
486,242	411,606
463,755	717,822
266,344	267,727
117,817	5,784
<u>11,533,837</u>	<u>10,481,797</u>
1,097,804	3,890,000
2,712,196	14,376
571,958	673,135
<u>4,381,958</u>	<u>4,577,511</u>
<u>1,392,842</u>	<u>1,567,851</u>
462,405	458,092
225,189	285,955
483	10,909
-	250
<u>688,077</u>	<u>755,206</u>
<u>35,604,397</u>	<u>34,911,685</u>
<u>(636,680)</u>	<u>(1,232,158)</u>
-	2,000
15,436	46,739
<u>(15,436)</u>	<u>(46,739)</u>
-	2,000
(636,680)	(1,230,158)
<u>6,479,961</u>	<u>7,710,119</u>
<u>\$ 5,843,281</u>	<u>\$ 6,479,961</u>

# Shorewood School District

## Shorewood, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balances as shown on previous page	\$ (636,680)	\$ (1,230,158)
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 assets reported as capital outlay reported in governmental fund statements	715,812	677,467
Depreciation expense reported in the statement of activities	(1,148,806)	(1,189,456)
Net book value of disposals	(4,515)	(5,052)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid	3,810,000	3,890,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	32,545	44,170
Amortization of premiums, discounts and loss on advance refunding	(15,216)	(15,216)
Compensated absences	146,581	20,037
Net pension liability (asset)	(6,992,407)	4,174,341
Deferred outflows of resources related to pensions	4,526,812	(868,734)
Deferred inflows of resources related to pensions	1,005,145	(3,614,535)
Other postemployment benefits	(232,636)	(203,456)
Change in net position of governmental activities as reported in the statement of activities (see page 5)	<u>\$ 1,206,635</u>	<u>\$ 1,679,408</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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Agency Pupil Activity	Totals	
				2019	2018
<b>ASSETS</b>					
Cash and investments	\$ 2,110,736	\$ 8,102,170	\$ 127,526	\$ 10,340,432	\$ 9,800,880
Accounts receivable	3,700	-	10,970	14,670	3,265
Total assets	2,114,436	8,102,170	138,496	10,355,102	9,804,145
<b>LIABILITIES</b>					
Accounts payable	8,250	242,621	22,180	273,051	350,816
Other deposits payable	-	-	3,597	3,597	3,597
Due to parent organizations	-	-	31,623	31,623	25,187
Due to student organizations	-	-	81,096	81,096	102,986
Total liabilities	8,250	242,621	138,496	389,367	482,586
<b>NET POSITION</b>					
Restricted	\$ 2,106,186	\$ 7,859,549	\$ -	\$ 9,965,735	\$ 9,321,559

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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2019	2018
<b>ADDITIONS</b>				
Other local sources	\$ 846,778	\$ -	\$ 846,778	\$ 40,974
Contributions				
Employer	-	293,570	293,570	155,828
Investment earnings	60,510	126,562	187,072	215,105
Total additions	<u>907,288</u>	<u>420,132</u>	<u>1,327,420</u>	<u>411,907</u>
<b>DEDUCTIONS</b>				
Trust fund disbursements	118,208	562,939	681,147	694,800
Administrative expenditures	25	2,072	2,097	6,274
Total deductions	<u>118,233</u>	<u>565,011</u>	<u>683,244</u>	<u>701,074</u>
<b>Change in net position</b>	789,055	(144,879)	644,176	(289,167)
<b>Net position - July 1</b>	<u>1,317,131</u>	<u>8,004,428</u>	<u>9,321,559</u>	<u>9,610,726</u>
<b>Net position - June 30</b>	<u>\$ 2,106,186</u>	<u>\$ 7,859,549</u>	<u>\$ 9,965,735</u>	<u>\$ 9,321,559</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, 2019

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#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Shorewood School District, Shorewood, Wisconsin (the "District"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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:

##### A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected five member board, operates grades K through 12 and is comprised of all or parts of one taxing districts. In accordance with GAAP, the basic financial statements are required to include the District 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.

##### B. GOVERNMENT-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. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

##### Donations

This fund accounts for donations received by the district.

##### Referendum Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt related to referendum projects.

##### Capital Projects Fund

This fund accounts for the expenditures related to the recently passed referendum.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.
- ▶ The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 compensated absences 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, and fees and fines, 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.

#### D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

##### 1. Cash and Investments

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

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 2. 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 January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20<sup>th</sup> 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.

#### 3. Accounts Receivable

Accounts receivable are recorded at gross amounts 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.

#### 4. 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.

#### 5. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the period benefited.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

#### 6. Capital Assets

Capital assets, which include property, plant, and equipment, 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 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 7. **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

#### 8. **Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

#### 9. **Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 10. **Pensions**

##### ***Wisconsin Retirement System***

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

##### ***Supplemental Pension Plan***

Qualifying teachers and administrators are provided with a supplemental pension. The supplemental pension is a single employer defined benefit plan administered by the District. For purposes of measuring the supplemental pension liability, related deferred outflows and inflows and pension expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

#### 11. **Other Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 12. 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 Board of Education has not authorized a specific employee 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 Financial 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 inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

#### E. 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.

#### F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and 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, 2018, from which the summarized information was derived.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### G. RECLASSIFICATIONS

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

#### NOTE 2: DETAILED NOTES ON ALL FUNDS

##### A. CASH AND INVESTMENTS

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses 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.

The carrying amount of the District's cash and investments totaled \$16,689,873 on June 30, 2019 as summarized below:

Petty cash and cash on hand	\$ 200
Deposits with financial institutions	365,894
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash Management Series	2,559,457
Investment Series	3,648,506
Common stock	309,244
Exchange traded funds	1,014,862
Mutual funds - fixed income	347,476
Money market mutual funds	11,313
Mutual funds - equities	330,751
Annuity contract	8,102,170
	<u>\$ 16,689,873</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 6,349,441
Fiduciary fund statement of net position	
Private purpose trust	2,110,736
Employee benefit trust	8,102,170
Agency fund	127,526
	<u>\$ 16,689,873</u>

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Common stock	\$ 309,244	\$ -	\$ -
Exchange traded funds	1,014,862	-	-
Mutual funds - fixed income	347,476	-	-
Money market mutual funds	11,313	-	-
Mutual funds - equities	330,751	-	-
	<u>\$ 2,013,646</u>	<u>\$ -</u>	<u>\$ -</u>

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

#### 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 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. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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. This coverage has been considered in determining custodial credit risk.

As of June 30, 2019, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.



# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual funds - fixed income	\$ 347,476	\$ -	\$ -	\$ 347,476	\$ -
Money market mutual funds	11,313	-	-	-	11,313
Wisconsin Investment Series Cooperative (WISC)					
Cash Management Series	2,559,457	-	2,559,457	-	-
Investment Series	3,648,506	-	3,648,506	-	-
<b>Totals</b>	<b>\$ 6,566,752</b>	<b>\$ -</b>	<b>\$ 6,207,963</b>	<b>\$ 347,476</b>	<b>\$ 11,313</b>

#### Concentration of Credit Risk

At June 30, 2019, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

#### 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Mutual funds - fixed income	\$ 347,476	\$ -	\$ 347,476	\$ -	\$ -
Money market mutual funds	11,313	11,313	-	-	-
Wisconsin Investment Series Cooperative (WISC)					
Cash Management Series	2,559,457	2,559,457	-	-	-
Investment Series	3,648,506	3,648,506	-	-	-
<b>Totals</b>	<b>\$ 6,566,752</b>	<b>\$ 6,219,276</b>	<b>\$ 347,476</b>	<b>\$ -</b>	<b>\$ -</b>

#### Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$8,102,170 invested in the fixed interest annuities, which are reported at amortized cost, 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 Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$6,207,963 at year-end consisting of \$2,559,457 invested in the Cash Management Series and \$3,648,506 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, 2019

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 International Cooperative Statute, Wisconsin Statute, Section 66.031. 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.

#### B. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 44,000	\$ -	\$ -	\$ 44,000
Capital assets, depreciable:				
Land improvements	6,699,150	474,248	-	7,173,398
Buildings and improvements	32,179,432	-	-	32,179,432
Machinery and equipment	6,403,551	241,564	14,500	6,630,615
Subtotals	<u>45,282,133</u>	<u>715,812</u>	<u>14,500</u>	<u>45,983,445</u>
Less accumulated depreciation for:				
Land improvements	2,343,252	330,013	-	2,673,265
Buildings and improvements	13,253,886	583,980	-	13,837,866
Machinery and equipment	5,577,404	234,813	9,985	5,802,232
Subtotals	<u>21,174,542</u>	<u>1,148,806</u>	<u>9,985</u>	<u>22,313,363</u>
Total capital assets, depreciable, net	<u>24,107,591</u>	<u>(432,994)</u>	<u>4,515</u>	<u>23,670,082</u>
Governmental activities capital assets, net	<u>\$ 24,151,591</u>	<u>\$ (432,994)</u>	<u>\$ 4,515</u>	23,714,082
Less: Capital related debt				6,030,000
Less: Debt premium				41,026
Add: Loss on advance refunding				<u>243,853</u>
Net investment in capital assets				<u>\$ 17,886,909</u>

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

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended June 30, 2019 were as follows:

Fund	Transfer In	Transfer Out
General fund	\$ -	\$ 15,436
Food service special revenue	15,436	-
	<u>\$ 15,436</u>	<u>\$ 15,436</u>

The interfund transfer was made to cover an operating deficit of the food service operations.

#### D. 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. Short-term debt activity for the year ended June 30, 2019 was as follows:

	Outstanding 7/1/18	Issued	Retired	Outstanding 6/30/19
Tax and revenue anticipation notes	<u>\$ -</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ -</u>

Total interest paid for the year on short-term debt totaled \$31,875.

#### E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 13,425,000	\$ -	\$ 3,385,000	\$ 10,040,000	\$ 1,025,000
Notes	865,000	-	425,000	440,000	440,000
Total general obligation debt	<u>14,290,000</u>	<u>-</u>	<u>3,810,000</u>	<u>10,480,000</u>	<u>1,465,000</u>
Debt premium	213,007	-	19,621	193,386	-
Compensated absences	197,848	-	146,581	51,267	12,817
Governmental activities Long-term obligations	<u>\$ 14,700,855</u>	<u>\$ -</u>	<u>\$ 3,976,202</u>	<u>\$ 10,724,653</u>	<u>\$ 1,477,817</u>

Total interest paid during the year on long-term debt totaled \$520,776.

#### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/19
General obligation notes	06/01/10	10/01/19	4.00%	\$ 3,170,000	\$ 440,000
General obligation bonds	07/19/11	10/01/26	2.00-4.60%	3,595,000	510,000
General obligation bonds	09/27/11	10/01/31	2.00-4.30%	5,060,000	475,000
General obligation bonds	02/01/13	10/01/28	2.00-2.20%	5,515,000	5,080,000
General obligation bonds	04/01/15	10/01/35	3.00-3.95%	5,055,000	3,975,000
Total outstanding general obligation debt					<u>\$ 10,480,000</u>

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Annual principal and interest maturities of the outstanding general obligation debt of \$10,480,000 on June 30, 2019 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 1,465,000	\$ 289,424	\$ 1,754,424
2021	1,075,000	242,384	1,317,384
2022	730,000	205,759	935,759
2023	755,000	186,185	941,185
2024	775,000	168,685	943,685
2025-2029	4,140,000	562,203	4,702,203
2030-2034	1,540,000	174,852	1,714,852
	<u>\$ 10,480,000</u>	<u>\$ 1,829,492</u>	<u>\$ 12,309,492</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

#### Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2019 was \$163,172,910 as follows:

Equalized valuation of the District		\$ 1,710,900,869
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>171,090,087</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 10,480,000	
Less: Amounts available for financing general obligation debt		
Debt service fund, net of interest due in 2020	<u>2,562,823</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>7,917,177</u>
Legal margin for new debt		<u>\$ 163,172,910</u>

#### Advance Refunding

During 2019, the District advance refunded portions of two general obligation bond issues from 2011 and 2015. The District used available cash on hand to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$671,845.

In prior years, the District advance refunded \$2,295,000 of the 2011 general obligation bond issue. As a result, the refunded bonds are also considered to be defeased and the liability has been removed from the financial statements. At June 30, 2019, \$4,550,000 of outstanding general obligation bonds are considered defeased.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### F. PENSION PLANS

The District reports pension related balances at June 30, 2019, as summarized below:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Wisconsin Retirement System (WRS)	\$ 3,781,557	\$ 9,765,633	\$ 5,265,356	\$ 2,514,367
Supplemental or stipend pension plan	855,266	9,824	135,846	81,535
Total pension liability	<u>\$ 4,636,823</u>	<u>\$ 9,775,457</u>	<u>\$ 5,401,202</u>	<u>\$ 2,595,902</u>

#### 1. WRS Pension Plan Description

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

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. 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 annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

#### **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, 2019

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

#### **Contributions**

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

During the year ending June 30, 2019, the WRS recognized \$1,104,518 in contributions from the District.

Contribution rates for the reporting period are:

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

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a liability of \$3,781,557 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.10629260%, which was an increase of 0.00089715% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,514,367.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,945,259	\$ 5,206,161
Net differences between projected and actual earnings on pension plan investments	5,522,706	-
Changes in assumptions	637,432	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	59,195
Employer contributions subsequent to the measurement date	660,236	-
Total	<u>\$ 9,765,633</u>	<u>\$ 5,265,356</u>

\$660,236 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2020	\$ 1,378,638
2021	337,032
2022	611,372
2023	1,512,999
Total	<u>\$ 3,840,041</u>

#### **Actuarial Assumptions**

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<b>Core Fund Asset Class</b>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<b>Variable Fund Asset Class</b>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members 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.



# Shorewood School District

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### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
District's proportionate share of the net pension liability (asset)	\$ 15,028,605	\$ 3,781,557	\$ (4,581,272)

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

***Payable to the Pension Plan***

At June 30, 2019, the District reported a payable of \$383,978 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.

**2. Supplemental or Stipend Pension Plan**

***Pension Description***

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide a cash stipend to some retirees. The plan is administered by the District. No assets are accumulated in a trust. The Plan does not issue separate financial statements.

***Benefits Provided***

A summary of eligibility requirements and plan benefits follows:

Administrators retiring on or after July 1, 2014 who were at least age 55 (if hired prior to July 1, 2007) or 57 (if hired on or after July 1, 2007) will receive a lump sum payment in cash upon retirement equal to one week of pay per year of service, not to exceed 25 years of service.

Teachers retiring on or after July 1, 2014 who were at least age 57 will receive a lump sum payment in cash upon retirement equal to the sum of the following: the daily rate of pay times years of services plus a flat dollar amount based on years of services: 15-24 years \$1,000, 25-29 years \$2,000, 30-34 years \$3,000, and More than 35 years \$3,500.

***Employees Covered by Benefit Terms***

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	167
	<u>174</u>

***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.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>Component</u>	<u>Amount</u>
Total pension liability at July 1, 2018	\$ 773,731
Changes for the year:	
Service cost	65,363
Interest	29,786
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other input	10,643
Benefit payments	(24,257)
Net changes	<u>81,535</u>
Total pension liability at June 30, 2019	<u>\$ 855,266</u>

For the year ended June 30, 2019, the District recognized pension expense of \$81,535.

At June 30, 2019, the District reported deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 79,348
Changes in assumptions	9,824	56,498
Total	<u>\$ 9,824</u>	<u>\$ 135,846</u>

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2020	\$ (11,531)
2021	(11,531)
2022	(11,531)
2023	(11,531)
2024	(11,531)
Thereafter	(68,367)
Total	<u>\$ (126,022)</u>

***Actuarial Assumptions***

The District's total pension liability was measured as of June 30, 2018 and rolled forward to June 30, 2019.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of salary, open basis
Actuarial assumptions:	
Discount rate	3.50%
Inflation	2.50%

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**Single Discount Rate.** A single discount rate of 3.50% was used to measure the total pension liability. This single discount rate was based on the 20 year tax exempt AA muni bond rates.

**Sensitivity of the District's total pension liability to changes in the discount rate.** The following presents the District's total pension liability at June 30, 2017 calculated using the discount rate of 3.50%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate.

	<b>1% Decrease to Discount Rate (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase to Discount Rate (4.50%)</b>
Total pension liability	\$ 898,485	\$ 855,266	\$ 813,144

#### ***Payable to the Supplemental Pension Plan***

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2019.

### **G. OTHER POSTEMPLOYMENT BENEFITS**

#### **Plan Description**

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

#### **Benefits Provided**

The District provides medical (including prescription drugs) coverage for retired employees through the District's self-insured plans.

#### **Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Active employees	170
	<u>193</u>

#### **Contributions**

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. District paid medical and dental benefits are paid until the retiree or surviving spouse becomes eligible for Medicare.

#### **Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**Actuarial Assumptions.** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary increases:	3.00%
Investment rate of return:	3.50%
Healthcare cost trend rates:	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter

Mortality rates are the same as those used in the December 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2017 valuation were based on the "Wisconsin Retirement System 2014 - 2014 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 3.50%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 2,047,564	\$ 477,507	\$ 1,570,057
Changes for the year:			
Service cost	136,289	-	136,289
Interest	72,561	-	72,561
Contributions - employer	-	-	-
Changes in assumptions or other input	30,522	-	30,522
Net investment income	-	6,736	(6,736)
Benefit payments	(361,516)	(361,516)	-
Net changes	(122,144)	(354,780)	232,636
Balance at June 30, 2019	<u>\$ 1,925,420</u>	<u>\$ 122,727</u>	<u>\$ 1,802,693</u>

#### OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of \$232,636.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 27,747	\$ -
Net difference between projected and actual earnings on OPEB plan investments	3,514	-
Total	<u>\$ 31,261</u>	<u>\$ -</u>

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

Year Ended June 30,	Expense
2020	\$ 3,653
2021	3,653
2022	3,653
2023	3,655
2024	2,775
Thereafter	13,872
Total	<u>\$ 31,261</u>

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net OPEB liability	\$ 1,928,606	\$ 1,802,693	\$ 1,682,987

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 1,596,869	\$ 1,802,693	\$ 2,041,819

**OPEB plan fiduciary net position.** Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements. The portion of net position in the Employee Benefit Trust Fund related to the District's OPEB plan totals \$122,727 and which represents 6.37% of the total OPEB liability.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**Investments.** The Plan does not have a separate investment policy from the District. At June 30, 2019, the Plan asset allocation policy is to invest Plan assets 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. Plan investments have an expected rate of return of approximately 3.5%. For the year ended June 30, 2019, the annual money-weighted rate of return, net of investment expenses, was 0.34%, and this is assumed to be the best estimate of the long-term arithmetic rate of return for the Plan's investments.

#### Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2019.

#### H. FUND EQUITY

##### Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2019, nonspendable fund balance was as follows:

	<u>General</u>
Nonspendable	
Prepaid items	<u>\$ 20,539</u>

##### Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2019, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Community Service	<u>\$ 481,025</u>
Debt Service Funds	
Restricted for	
Non-referendum Debt Service	848
Referendum Debt Service	<u>2,652,348</u>
Total restricted	<u>2,653,196</u>
Capital Projects Fund	
Restricted for	
Capital projects	<u>1,009</u>
Total restricted fund balance	<u>\$ 3,135,230</u>

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by School Board action. At June 30, 2019, fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Donations	<u>\$          47,017</u>

#### Minimum General Fund Balance Policy

The District has also adopted a minimum fund balance policy of 10 - 15% of subsequent year budgeted expenditures for the General Fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2020 General Fund expenditures	\$          25,533,423
Minimum fund balance %	(x) 10-15%
Minimum fund balance amount	<u>\$2,553,342 - \$3,830,013</u>

The District's unassigned General Fund balance of \$2,640,495 is within the minimum fund balance range.

#### Net Position

The District reports restricted net position at June 30, 2019 as follows:

Governmental activities	
Restricted for	
Community Service	\$          481,025
Capital Projects	1,009
Debt Service	2,579,583
Total governmental activities restricted net position	<u>\$          3,061,617</u>

### NOTE 3: OTHER INFORMATION

#### A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

In addition to the above, the District has established separate internal service funds for the following risk management programs:

#### B. CONTINGENCIES

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.

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.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### C. 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 resolution of the school board or by referendum prior to August 12, 1993.
- ▶ A referendum on or after August 12, 1993.

#### D. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

#### E. SUBSEQUENT EVENT

The District issued \$40,000,000 in General Obligation School Improvement Bonds dated July 1, 2019. The District is scheduled to have principal payments ranging from \$1,350,000 to \$3,075,000 beginning in 2020 at interest rates ranging from 3.0% to 4.0%.



## REQUIRED SUPPLEMENTARY INFORMATION

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# Shorewood School District

## Shorewood, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 16,038,742	\$ 16,038,742	\$ 16,037,742	\$ (1,000)
Other local sources	790,583	1,046,231	974,913	(71,318)
Interdistrict sources	986,774	986,774	1,007,111	20,337
Intermediate sources	-	-	1,800	1,800
State sources	7,346,667	7,365,571	7,382,992	17,421
Federal sources	316,935	316,160	247,570	(68,590)
Other sources	67,965	67,965	62,649	(5,316)
<b>Total revenues</b>	<b>25,547,666</b>	<b>25,821,443</b>	<b>25,714,777</b>	<b>(106,666)</b>
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	12,864,020	12,841,498	12,734,387	107,111
Vocational instruction	118,195	116,835	117,648	(813)
Other instruction	1,199,551	1,194,196	1,293,381	(99,185)
<b>Total instruction</b>	<b>14,181,766</b>	<b>14,152,529</b>	<b>14,145,416</b>	<b>7,113</b>
Support services				
Pupil services	1,068,096	1,056,164	1,068,658	(12,494)
Instructional staff services	1,170,890	1,190,883	1,212,391	(21,508)
General administration services	595,337	595,528	575,660	19,868
School administration services	1,267,999	1,250,556	1,270,794	(20,238)
Business services	660,293	631,914	614,530	17,384
Operations and maintenance of plant	2,985,334	2,995,903	3,073,965	(78,062)
Pupil transportation services	92,218	139,043	159,129	(20,086)
Central services	527,199	464,501	461,346	3,155
Insurance	184,615	276,870	257,383	19,487
Other support services	32,504	100,123	117,768	(17,645)
<b>Total support services</b>	<b>8,584,485</b>	<b>8,701,485</b>	<b>8,811,624</b>	<b>(110,139)</b>
Debt service				
Total debt service	31,610	34,175	34,175	-
Community service				
Total community service	-	-	34	(34)
Non-program				
General tuition payments	465,451	456,130	462,405	(6,275)
Co-curricular cooperative program	-	-	-	-
Special education tuition payments	-	-	-	-
Adjustments and refunds	-	339	339	-
Voucher payments	-	-	-	-
Revenue transits to others	-	-	-	-
<b>Total non-program</b>	<b>465,451</b>	<b>456,469</b>	<b>462,744</b>	<b>(6,275)</b>
<b>Total expenditures</b>	<b>23,263,312</b>	<b>23,344,658</b>	<b>23,453,993</b>	<b>(109,335)</b>
<b>Excess of revenues over expenditures</b>	<b>2,284,354</b>	<b>2,476,785</b>	<b>2,260,784</b>	<b>(216,001)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers out	(2,477,785)	(2,477,785)	(2,255,394)	222,391
<b>Total other financing sources (uses)</b>	<b>(2,476,785)</b>	<b>(2,476,785)</b>	<b>(2,255,394)</b>	<b>221,391</b>
<b>Net change in fund balance</b>	<b>(192,431)</b>	<b>-</b>	<b>5,390</b>	<b>5,390</b>
<b>Fund balance - July 1</b>	<b>2,655,644</b>	<b>2,655,644</b>	<b>2,655,644</b>	<b>-</b>
<b>Fund balance - June 30</b>	<b>\$ 2,463,213</b>	<b>\$ 2,655,644</b>	<b>\$ 2,661,034</b>	<b>\$ 5,390</b>

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL EDUCATION SPECIAL REVENUE FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intermediate sources	\$ 14,000	\$ 14,000	\$ 661	\$ (13,339)
State sources	1,048,725	1,048,725	1,066,822	18,097
Federal sources	509,376	509,376	588,459	79,083
Other sources	-	-	22,121	22,121
Total revenues	<u>1,572,101</u>	<u>1,572,101</u>	<u>1,678,063</u>	<u>105,962</u>
<b>EXPENDITURES</b>				
Instruction				
Special education instruction	<u>3,122,042</u>	<u>3,137,099</u>	<u>3,011,449</u>	<u>125,650</u>
Support services				
Pupil services	373,877	376,555	372,041	4,514
Instructional staff services	257,015	243,226	262,767	(19,541)
General administration services	5,000	15,000	10,116	4,884
Pupil transportation services	32,880	31,905	34,050	(2,145)
Central services	<u>1,000</u>	<u>2,449</u>	<u>2,409</u>	<u>40</u>
Total support services	<u>669,772</u>	<u>669,135</u>	<u>681,383</u>	<u>(12,248)</u>
Non-program				
Special education tuition payments	<u>258,072</u>	<u>243,652</u>	<u>225,189</u>	<u>18,463</u>
Total expenditures	<u>4,049,886</u>	<u>4,049,886</u>	<u>3,918,021</u>	<u>131,865</u>
Excess of revenues under expenditures	<u>(2,477,785)</u>	<u>(2,477,785)</u>	<u>(2,239,958)</u>	<u>237,827</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,477,785</u>	<u>2,477,785</u>	<u>2,239,958</u>	<u>(237,827)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - July 1</b>	-	-	-	-
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS \*

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 136,289	\$ 136,289
Interest	72,561	80,463
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	30,522	-
Benefit payments	<u>(361,516)</u>	<u>(493,421)</u>
Net change in total OPEB liability	(122,144)	(276,669)
Total OPEB liability - beginning	<u>2,047,564</u>	<u>2,324,233</u>
Total OPEB liability - ending (a)	<u>\$ 1,925,420</u>	<u>\$ 2,047,564</u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Net investment income	6,736	13,296
Benefit payments	(361,516)	(493,421)
Administrative expenses	-	-
Net change in plan fiduciary net position	<u>(354,780)</u>	<u>(480,125)</u>
Plan fiduciary net position - beginning	<u>477,507</u>	<u>957,632</u>
Plan fiduciary net position - ending (b)	<u>\$ 122,727</u>	<u>\$ 477,507</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 1,802,693</u>	<u>\$ 1,570,057</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.37%	23.32%
Covered-employee payroll	\$ 14,050,149	\$ 14,050,149
District's net OPEB liability as a percentage of covered-employee payroll	12.83%	11.17%
Weighted-average investment income	0.34%	0.61%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS \*

	<b>2019</b>	<b>2018</b>
Actuarially determined contribution (ADC)	\$ 199,615	\$ 193,801
Contributions in relation to the ADC	-	-
Contribution deficiency (excess)	<u>\$ 199,615</u>	<u>193,801</u>
Covered-employee payroll	\$ 14,050,149	\$ 14,050,149
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

#### Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value
Amortization method	30 year level percentage	30 year level percentage
Discount rate	3.50%	3.75%
Amortization growth rate	3.00%	3.00%
Inflation	2.50%	2.50%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.09937690%	\$ (2,440,970)	\$ 13,959,685	17.49%	102.74%
12/31/15	0.10134680%	1,646,966	14,867,318	11.08%	98.20%
12/31/16	0.10385620%	856,023	15,385,293	5.56%	99.12%
12/31/17	0.10539545%	(3,129,315)	15,612,340	20.04%	102.93%
12/31/18	0.10629260%	3,781,557	16,494,000	22.93%	96.45%

### SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,060,610	\$ 1,060,610	\$ -	\$ 15,430,745	6.87%
6/30/16	959,565	959,565	-	14,384,432	6.67%
6/30/17	1,030,060	1,030,060	-	15,327,269	6.72%
6/30/18	1,088,468	1,088,468	-	16,150,536	6.74%
6/30/19	1,104,518	1,104,518	-	16,711,018	6.61%

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS SUPPLEMENTAL PENSION LAST 10 FISCAL YEARS \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability				
Service cost	\$ 65,363	\$ 67,152	\$ 70,192	\$ 74,781
Interest	29,786	21,568	21,645	20,364
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(93,776)	-	-
Changes in assumptions	10,643	(66,770)	-	-
Benefit payments	<u>(24,257)</u>	<u>(117,177)</u>	<u>(34,841)</u>	<u>(33,111)</u>
Net change in total pension liability	81,535	(189,003)	56,996	62,034
Total OPEB liability - beginning	<u>773,731</u>	<u>962,734</u>	<u>905,738</u>	<u>843,704</u>
Total OPEB liability - ending	<u>\$ 855,266</u>	<u>\$ 773,731</u>	<u>\$ 962,734</u>	<u>\$ 905,738</u>
Covered-employee payroll	\$ 11,088,313	\$ 11,088,313	\$ 11,455,490	\$ 11,286,199
District's net pension liability as a percentage of covered-employee payroll	7.71%	6.98%	8.40%	8.03%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

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#### A. OTHER POSTEMPLOYMENT BENEFITS

##### Single-employer Defined Benefit Postemployment Benefit Plan

There is no change of benefit terms. The discount rate was reduced from 3.75% to 3.50% for the measurement date of June 30, 2019.

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

#### B. PENSION BENEFITS

##### Wisconsin Retirement System (WRS)

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

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

##### Supplemental Pension Plan

There is no change of benefit terms. The discount rate was reduced from 3.75% to 3.50% for the measurement date of June 30, 2019.

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

#### 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 1 through June 30 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 or assigned fund balance in the fund financial statements.
- ▶ Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate 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, 2019.



# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

#### 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 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:

	<u>General</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 25,714,777	\$ 1,678,063
Reclassification of special education fund	1,678,063	(1,678,063)
Total revenues	<u>27,392,840</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	23,453,993	3,918,021
Reclassification of special education fund	3,918,021	(3,918,021)
Total expenditures	<u>27,372,014</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	2,260,784	(2,239,958)
Reclassification of special education fund	(2,239,958)	2,239,958
Excess of revenues over (under) expenditures	<u>20,826</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(2,255,394)	2,239,958
Reclassification of special education fund	2,239,958	(2,239,958)
Total other financing sources (uses)	<u>(15,436)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	<u>5,390</u>	<u>-</u>
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>2,655,644</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 2,661,034</u>	<u>\$ -</u>

## SUPPLEMENTARY INFORMATION

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# Shorewood School District

## Shorewood, Wisconsin

### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	Community Service	Food Service	Non-referendum Debt Service Fund	
<b>ASSETS</b>				
Cash and investments	\$ 558,447	\$ 5,509	\$ 848	\$ 564,804
Receivables				
Accounts	8,307	16,757	-	25,064
Due from other governments	-	19,812	-	19,812
Total assets	<u>\$ 566,754</u>	<u>\$ 42,078</u>	<u>\$ 848</u>	<u>\$ 609,680</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 26,707	\$ 42,078	\$ -	\$ 68,785
Accrued and other current liabilities	59,022	-	-	59,022
Total liabilities	<u>85,729</u>	<u>42,078</u>	<u>-</u>	<u>127,807</u>
Fund balances				
Restricted	<u>481,025</u>	<u>-</u>	<u>848</u>	<u>481,873</u>
Total liabilities and fund balances	<u>\$ 566,754</u>	<u>\$ 42,078</u>	<u>\$ 848</u>	<u>\$ 609,680</u>

# Shorewood School District

## Shorewood, Wisconsin

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	Community Service	Food Service	Non-referendum Debt Service Fund	
<b>REVENUES</b>				
Property taxes	\$ 1,335,230	\$ -	\$ 221,499	\$ 1,556,729
Other local sources	1,092,429	315,961	418	1,408,808
State sources	-	4,775	-	4,775
Federal sources	-	150,214	-	150,214
Total revenues	<u>2,427,659</u>	<u>470,950</u>	<u>221,917</u>	<u>3,120,526</u>
<b>EXPENDITURES</b>				
Support services				
General administration services	63,289	-	-	63,289
Business services	35,967	-	-	35,967
Operations and maintenance of plant	504,357	-	-	504,357
Pupil transportation services	14,947	-	-	14,947
Food services	-	486,242	-	486,242
Insurance	8,961	-	-	8,961
Other support services	49	-	-	49
Total support services	<u>627,570</u>	<u>486,242</u>	<u>-</u>	<u>1,113,812</u>
Debt service				
Principal	-	-	105,000	105,000
Interest and fiscal charges	-	-	116,449	116,449
Total debt service	<u>-</u>	<u>-</u>	<u>221,449</u>	<u>221,449</u>
Community service	<u>1,392,808</u>	<u>-</u>	<u>-</u>	<u>1,392,808</u>
Non-program				
Adjustments and refunds	-	144	-	144
Total expenditures	<u>2,020,378</u>	<u>486,386</u>	<u>221,449</u>	<u>2,728,213</u>
Excess of revenues over (under) expenditures	<u>407,281</u>	<u>(15,436)</u>	<u>468</u>	<u>392,313</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	15,436	-	15,436
<b>Net change in fund balances</b>	<u>407,281</u>	<u>-</u>	<u>468</u>	<u>407,749</u>
<b>Fund balances - July 1</b>	<u>73,744</u>	<u>-</u>	<u>380</u>	<u>74,124</u>
<b>Fund balances - June 30</b>	<u>\$ 481,025</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ 481,873</u>

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
<b>ASSETS</b>				
Cash	\$ 133,296	\$ 75,468	\$ 81,238	\$ 127,526
Accounts receivable	3,265	52,405	44,700	10,970
Total assets	<u>\$ 136,561</u>	<u>\$ 127,873</u>	<u>\$ 125,938</u>	<u>\$ 138,496</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 249	\$ 876	\$ (627)
Payable to District	4,791	28,139	10,123	22,807
Other deposits payable	3,597	-	-	3,597
Due to parent organizations	25,185	14,898	8,460	31,623
Due to student organizations				
Shorewood Intermediate	2,276	8,258	9,284	1,250
Shorewood High School	100,712	76,329	97,195	79,846
Total liabilities	<u>\$ 136,561</u>	<u>\$ 127,873</u>	<u>\$ 125,938</u>	<u>\$ 138,496</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## 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, Shorewood, Wisconsin (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2019.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

### **COMPLIANCE AND OTHER MATTERS**

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

**CLIENT'S RESPONSE TO FINDINGS**

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

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 27, 2019



## FEDERAL AND STATE AWARDS

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## Independent auditors' report on compliance for each major federal and state program and on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

To the Board of Education  
Shorewood School District  
Shorewood, Wisconsin

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM**

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

### **MANAGEMENT'S RESPONSIBILITY**

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

### **AUDITORS' RESPONSIBILITY**

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

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

### **OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2019.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 27, 2019

# Shorewood School District Shorewood, Wisconsin

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2019-405355-SB-546	\$ (1,316)	\$ 9,966	\$ 1,578	\$ 10,228	\$ -
National School Lunch Program	10.555	WI DPI	2019-405355-NSL-547	(18,166)	115,116	18,234	115,184	-
Non-Cash Assistance (Commodities)	10.555	WI DPI	2019-405355-NSL-547	-	24,801	-	24,801	-
Total National School Lunch Program				(18,166)	139,917	18,234	139,985	-
Total U.S. Department of Agriculture				(19,482)	149,883	19,812	150,213	-
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-405355-TIA-141	(25,370)	168,020	8,421	151,071	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2019-405355-IDEA-FT-341	(67,789)	416,733	30,413	379,357	-
Special Education Grants to States	84.027	WI DPI	2019-405355-IDEA-FT-341	-	42,968	-	42,968	-
Total Special Education - Grants to States				(67,789)	459,701	30,413	422,325	-
Special Education - Preschool Grants	84.173	WI DPI	2019-405355-IDEA-PS-347	-	10,246	-	10,246	-
Total Special Education Cluster (IDEA)				(67,789)	469,947	30,413	432,571	-
English Language Acquisition State Grants	84.365	WI DPI	2019-405355-TIIIA-391	(963)	20,697	3,333	23,067	-
Improving Teacher Quality State Grants	84.367	WI DPI	2019-405355-TIIA-365	(26,540)	57,237	22,736	53,433	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2019-405355-TIVA-381	-	20,000	-	20,000	-
Total U.S. Department of Education				(120,662)	735,901	64,903	680,142	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44234700	(6,229)	157,021	5,096	155,888	-
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ (146,373)</u>	<u>\$ 1,042,805</u>	<u>\$ 89,811</u>	<u>\$ 986,243</u>	<u>\$ -</u>

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

# Shorewood School District Shorewood, Wisconsin

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>								
Special Education and School Age Parents	255.101	Direct Program	405355-100	\$ -	\$ 906,090	\$ -	\$ 906,090	\$ -
State School Lunch Aid	255.102	Direct Program	405355-107	-	4,328	-	4,328	-
Common School Fund Library Aid	255.103	Direct Program	405355-104	-	72,810	-	72,810	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	405355-111	-	3,267	-	3,267	-
Equalization Aids	255.201	Direct Program	405355-116	(82,955)	4,903,860	81,994	4,902,899	-
Integration Transfer - Non Resident	255.204	Direct Program	405355-106	-	909,566	-	909,566	-
High Cost Special Education Aid	255.210	Direct Program	405355-119	-	160,732	-	160,732	-
Personal Electronic Computing Device	255.296	Direct Program	405355-175	-	17,250	-	17,250	-
State School Breakfast Aid	255.344	Direct Program	405355-117	-	447	-	447	-
Educator Effective Evaluation System	255.940	Direct Program	405355-154	-	-	16,080	16,080	-
Per Pupil Aid	255.945	Direct Program	405355-113	-	1,226,250	-	1,226,250	-
Assessments of Reading Readiness	255.956	Direct Program	405355-166	-	3,608	-	3,608	-
Total Wisconsin Department of Public Instruction				(82,955)	8,208,208	98,074	8,223,327	-
<b>WISCONSIN DEPARTMENT OF JUSTICE</b>								
School Safety Initiative - Security Updates and Mental Health Training	455.206	Direct Program	N/A	-	152,551	66,517	219,068	-
Total Wisconsin Department of Justice				-	152,551	66,517	219,068	-
<b>TOTAL STATE PROGRAMS</b>				<u>\$ (82,955)</u>	<u>\$ 8,360,759</u>	<u>\$ 164,591</u>	<u>\$ 8,442,395</u>	<u>\$ -</u>

Reconciliation to the basic financial statements

State sources	\$ 8,454,589
Less: State sources not considered state financial assistance	
State tax exempt aids	(12,194)
Total expenditures of state awards	<u>\$ 8,442,395</u>

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

# Shorewood School District

## Shorewood, Wisconsin

### NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal and state awards for the Shorewood School District are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2019 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

#### **NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2018-2019 eligible costs under the State Special Education Program as reported by the District are \$3,491,667. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

#### **NOTE 4: 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 5: OVERSIGHT AGENCIES**

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education  
State - Wisconsin Department of Public Instruction

#### **NOTE 6: PASS THROUGH ENTITIES**

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services  
WI DPI - Wisconsin Department of Public Instruction

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### 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 AND STATE AWARDS

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

Identification of major federal programs:

CFDA Number	Name of Federal Program
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Identification of major state programs:

State ID Number	Name of State Program
255.201	Equalization Aids
255.204	Integration Transfer Non Resident

**Audit threshold used to determine between Type A and Type B programs:**

Federal Awards	\$750,000
State Awards	\$250,000

Auditee qualified as low-risk auditee Yes

# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2019-001	<p><b>Preparation of Annual Financial Report</b> Repeat of Finding 2018-001</p>
Type of Finding:	Significant deficiency in internal control over financial reporting
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 format, 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 or other required state financial reports.
Context:	The audit firm has developed templates as a convenience to our clients.
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.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.
Views of Responsible Officials:	Management agrees with the finding. Management believes that the cost of hiring staff to prepare year-end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received. Management will have the appropriate staff review the adjusting, closing and GASB 34 conversion entries along with the prepared financial reports, as recommended, to obtain an adequate understanding of the District's financial report.

#### SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2019.



# Shorewood School District

## Shorewood, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### SECTION IV: OTHER ISSUES

- |  |     |
|--|-----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?   | No  |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : |     |
| Department of Health Services  | No  |
| Department of Public Instruction   | No  |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  | Yes |

4. Name and signature of partner



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David L. Maccoux, CPA

November 27, 2019

5. Date of report