

**SCHOOL DISTRICT OF ELMBROOK**  
Brookfield, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
School District of Elmbrook  
Brookfield, 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 School District of Elmbrook (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Pewaukee Office:**  
W239 N3490 Pewaukee Road  
Suite 200  
Pewaukee, WI 53072  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## **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 School District of Elmbrook, as of June 30, 2015, and the respective changes in financial position 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 management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of proportionate share of the net pension asset, schedule of contributions and notes to required supplementary information on pages 4-11 and 45-50 be presented to supplement the basic financial statements. Such 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. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Elmbrook's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and the schedule of expenditures of federal and 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 combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 on our consideration of the School District of Elmbrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District of Elmbrook's internal control over financial reporting and compliance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
October 13, 2015

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

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The discussion and analysis of the financial performance of the School District of Elmbrook (District) provides an overview of financial activities for the fiscal year ended June 30, 2015. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The District's government-wide financial statements reflect the following:

- Total net position of the District increased to \$76,371,364 or 5.36% at June 30, 2015.
- Total revenues increased to \$99,343,551, in fiscal year 2015, up from \$96,770,402 in fiscal year 2014, an increase of 2.66%.
- Total expenses decreased to \$95,458,585 in fiscal year 2015, down from \$96,126,201 in the year ended June 30, 2014, a decrease of .69%.

The District's governmental fund financial statements reflect the following:

- Total fund balances of the District's governmental funds increased \$3,694,093 in fiscal year 2015. This increase included a \$2,986,333 decrease in the general fund, \$183,737 decrease in the debt service fund, \$6,737,502 increase in the capital projects fund and a \$126,661 increase in the nonmajor governmental funds.
- The decrease in the District's general fund balance is the result of paying off existing debt for the WRS unfunded pension liability from fund balance.
- The decrease in the debt service fund is the result of the refinancing efforts and the costs of issuance coming from the fund balance.
- The increase in the capital projects fund is the result of the proceeds coming in from the borrowing of funds for the fiber project, Swanson HVAC project and technology needs for the personalized approach in 2015-16.
- The fund balance for all governmental funds at June 30, 2015 was \$37,128,032. Of this amount, \$36,481 was nonspendable; \$8,907,058 was restricted for debt service, capital projects, and nutrition services; \$4,800,000 was committed for self-insurance and health reimbursement accounts; \$13,875,000 was assigned for energy conservation and capital needs; and \$9,180,698 remains unassigned.

**SCHOOL DISTRICT OF ELMBROOK**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

**District-wide financial statements**

*District-wide financial statements* report information about the School District of Elmbrook as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all of the District's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

**Fund financial statements**

The *fund financial statements* provide detailed information about the District's significant funds rather than the School District of Elmbrook as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

- *Fiduciary funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-43 of this report.

**Other Information**

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post-employment benefits (OPEB) liability and certain details of the District's net pension asset.

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The District ended its fiscal year with net position of \$76,371,364, of which \$38,966,702 was the net investment in capital assets, \$1,043,276 was restricted for debt service, \$7,085,681 was restricted for capital projects, \$635,810 was restricted for special revenue and \$28,639,835 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

Beginning net position in tables 2&3 have been restated for the implementation of GASB 68. Therefore, the change in net position in table 3 will not reconcile to the net position reported in table 2

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2015

**Table 2**  
**Condensed Statements of Net Position**  
*(in thousands of dollars)*

|                                       | <b>Governmental Activities</b> |                  |                 |
|---------------------------------------|--------------------------------|------------------|-----------------|
|                                       | <b>2015</b>                    | <b>2014</b>      | <b>% Change</b> |
| <b>Assets</b>                         |                                |                  |                 |
| Current and other assets              | \$ 56,257                      | \$ 44,239        | 27.17%          |
| Capital assets                        | 94,850                         | 96,664           | -1.88%          |
| <b>Total assets</b>                   | 151,107                        | 140,903          | 7.24%           |
| <b>Deferred outflows of resources</b> | 10,117                         | -                | 418.00%         |
| <b>Liabilities</b>                    |                                |                  |                 |
| Long-term liabilities                 | 69,627                         | 71,354           | -2.42%          |
| Other liabilities                     | 15,226                         | 15,405           | -1.16%          |
| <b>Total liabilities</b>              | 84,853                         | 86,759           | -2.20%          |
| <b>Net Position</b>                   |                                |                  |                 |
| Net investment in capital assets      | 38,967                         | 37,287           | 4.51%           |
| Restricted                            | 8,765                          | 1,985            | 341.56%         |
| Unrestricted                          | 28,639                         | 14,872           | 92.57%          |
| <b>Total Net Position</b>             | <b>\$ 76,371</b>               | <b>\$ 54,144</b> | 41.05%          |

**Changes in Net Position**

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2015 with an increase in net position of \$3,357,137, compared to an increase of \$644,201 in fiscal year 2014.

The district received \$99,343,551 in revenue for the fiscal year 2015. The District relies primarily on property taxes (75.0% of total governmental revenues), and state equalization aid (2.8%) to fund governmental activities. The District received approximately 11.4% in the form of specific use state grants, federal aid and direct fees for services.

Individuals who directly participated or benefited from a program paid 7.3% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized programs with grants and awards of \$15,442,306. Operating grants include Title I, IDEA, Transportation Aid, Integration Aid, and National School Lunch Programs.

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Table 3**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

|                                  | <b>Governmental Activities</b> |               |                 |
|----------------------------------|--------------------------------|---------------|-----------------|
|                                  | <b>2015</b>                    | <b>2014</b>   | <b>% Change</b> |
| <b>REVENUES</b>                  |                                |               |                 |
| Program revenues                 |                                |               |                 |
| Charges for services             | \$ 7,035                       | \$ 9,517      | -26.1%          |
| Operating grants & contributions | 10,026                         | 7,530         | 33.1%           |
| Capital grants & contributions   | 177                            | 85            | 108.2%          |
| General revenues                 |                                |               |                 |
| Property taxes                   | 74,529                         | 72,708        | 2.5%            |
| General aid                      | 2,762                          | 2,724         | 1.4%            |
| Other                            | 4,814                          | 4,206         | 14.5%           |
| <b>Total revenues</b>            | <b>99,343</b>                  | <b>96,770</b> | <b>2.7%</b>     |
| <b>EXPENSES</b>                  |                                |               |                 |
| Instruction                      | 54,724                         | 53,113        | 3.0%            |
| Pupil and instructional services | 9,521                          | 9,107         | 4.5%            |
| Administration and business      | 23,619                         | 23,771        | -0.6%           |
| Interest on debt                 | 2,399                          | 5,220         | -54.0%          |
| Other                            | 5,195                          | 4,915         | 5.7%            |
| <b>Total expenses</b>            | <b>95,458</b>                  | <b>96,126</b> | <b>-0.7%</b>    |
| <b>Change in Net Position</b>    | <b>\$ 3,885</b>                | <b>\$ 644</b> | <b>503.3%</b>   |

Table 4 presents the cost of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$95,986,414. Individuals who directly participated or benefited from a program offering paid for \$7,035,342 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$10,025,751. The net cost of governmental activities \$(78,748,049) was financed by \$74,535,871 of property taxes and \$7,021,208 of federal and state unrestricted aid.

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2015

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Table 4**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

|                                  | Total Cost<br>of Services | Net Cost<br>of Services |
|----------------------------------|---------------------------|-------------------------|
| <b>EXPENSES</b>                  |                           |                         |
| Instruction                      | \$ 54,724                 | \$ (44,436)             |
| Pupil and instructional services | 9,521                     | (6,739)                 |
| Administration and business      | 23,619                    | (19,568)                |
| Interest on debt                 | 2,399                     | (2,399)                 |
| Other                            | 5,195                     | (5,079)                 |
| <b>Total expenses</b>            | <b>\$ 95,458</b>          | <b>\$ (78,221)</b>      |

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$37,128,032 up from last year's ending fund balance of \$33,433,939. The District's unassigned fund balance, available for spending at the District's discretion was \$9,180,698.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance decrease of \$2,986,333, a decrease of \$4,952,101 from the prior year's increase.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- While the District's original budget for the general fund anticipated that expenditures would exceed revenues and other financing sources by \$162,574, the actual results for the year ended June 30, 2015 had expenditures and other financing uses in excess of revenues and other financing sources by \$2,986,333. The most significant change to the revenue budget included a Medicaid payment of \$295,199 from a prior year's cost settlement. A significant change to the expenditure budget included a positive self-funded insurance fiscal year reducing health and dental insurance expenditures at year end. A significant increase to the expenditure budget was an inter-fund transfer to Fund 38 to pay off existing debt for the WRS unfunded pension liability.

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had \$152,219,770 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$57,370,181. Asset acquisitions for governmental activities totaled \$2,086,209. The District recognized depreciation expense of \$3,900,577. Detailed information about capital assets is presented in Note 5 to the financial statements.

**Table 5**  
**Capital Assets**  
*(in thousands of dollars)*

|                          | <b>2015</b> | <b>2014</b> |
|--------------------------|-------------|-------------|
| Land                     | \$ 2,054    | \$ 2,054    |
| Buildings                | 141,912     | 140,301     |
| Furniture and equipment  | 8,253       | 7,785       |
| Accumulated depreciation | (57,370)    | (53,476)    |
| Net capital assets       | \$ 94,849   | \$ 96,664   |

**Long-term Debt**

At June 30, 2015, the District had \$62,090,000 in general obligation debt outstanding—a decrease of \$925,000 from fiscal 2014. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. The District entered into capital leases during the current year. Detailed information about the District's long-term obligations is presented in Note 8 to the financial statements.

**Table 6**  
**Outstanding Long-term Obligations**  
*(in thousands of dollars)*

|                           | <b>2015</b> | <b>2014</b> |
|---------------------------|-------------|-------------|
| General obligation debt   | 62,090      | 63,015      |
| Capital leases            | 324         | 761         |
| Compensated absences      | 175         | 204         |
| Net long-term obligations | \$ 62,589   | \$ 63,980   |

**SCHOOL DISTRICT OF ELMBROOK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Since the 2012-13 school year, the School District of Elmbrook has consistently seen gains in annual enrollment. This growth is happening in a time where the district is no longer accepting pupils through the State Integration Program and on a very rare case still accepting pupils through the Open Enrollment program. The majority of growth since this time is due to resident enrollment increasing over that same time period. A five-year financial planning process aligned to the District's five-year strategic planning process assists in making sound long-term decisions.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Erik Kass, Assistant Superintendent for Finance and Operations at (262) 781-3030 or [kasse@elmbrookschoools.org](mailto:kasse@elmbrookschoools.org).

Additional information about the District and its services can also be found on the District's website at <http://www.elmbrookschoools.org>.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF NET POSITION**  
June 30, 2015

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>                                  |                            |
| CURRENT ASSETS                                 |                            |
| Cash and investments                           | \$ 25,885,508              |
| Accounts receivable                            | 18,062,878                 |
| Due from other governments                     | 3,503,185                  |
| Inventories                                    | 6,074                      |
| Prepaid expenses                               | 30,407                     |
| Net pension asset                              | 8,769,488                  |
| Total current assets                           | 56,257,540                 |
| NONCURRENT ASSETS                              |                            |
| Capital assets not being depreciated           | 2,054,466                  |
| Capital assets being depreciated, net          | 92,795,123                 |
| Total noncurrent assets                        | 94,849,589                 |
| Total assets                                   | 151,107,129                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |                            |
| Expected vs. actual experience                 | 1,271,303                  |
| Expected vs. actual investment income          | 4,246,609                  |
| Contributions after measurement date           | 4,171,787                  |
| Deferred charge on debt refunding              | 427,148                    |
| Total deferred outflow of resources            | 10,116,847                 |
| <b>LIABILITIES</b>                             |                            |
| CURRENT LIABILITIES                            |                            |
| Accounts payable and other current liabilities | 10,228,723                 |
| Accrued interest                               | 472,144                    |
| Unearned revenues                              | 131,297                    |
| Current portion of long-term debt              | 4,393,075                  |
| Total current liabilities                      | 15,225,239                 |
| NONCURRENT LIABILITIES                         |                            |
| Long-term debt, net of current portion         | 58,021,204                 |
| Other postemployment benefits                  | 10,970,413                 |
| Accrued compensated absences                   | 174,596                    |
| Unamortized debt premium                       | 461,160                    |
| Total noncurrent liabilities                   | 69,627,373                 |
| Total liabilities                              | 84,852,612                 |
| <b>NET POSITION</b>                            |                            |
| Net investment in capital assets               | 38,966,702                 |
| Restricted                                     | 8,764,827                  |
| Unrestricted                                   | 28,639,835                 |
| <b>Total net position</b>                      | <b>\$ 76,371,364</b>       |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2015

|  | Expenses            | Program Revenues        |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |  |
|--|---------------------|-------------------------|--|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  | Capital<br>Grants and<br>Contributions |
| <b>GOVERNMENTAL ACTIVITIES</b>               |                     |                         |  |  |  |
| Instruction                                  |                     |                         |  |  |  |
| Regular instruction                          | \$37,225,591        | \$ 643,551              | \$ 2,949,595                             | \$ -   | \$(33,632,445)                         |
| Vocational instruction                       | 1,685,131           | 67,102                  | 11,158                                   | -  | (1,606,871)                            |
| Physical instruction                         | 1,941,967           | 3,079                   | 2,501                                    | -  | (1,936,387)                            |
| Special education instruction                | 12,215,162          | 2,787,448               | 3,088,887                                | -  | (6,338,827)                            |
| Other instruction                            | 1,656,228           | 529,290                 | 205,143                                  | -  | (921,795)                              |
| <b>Total instruction</b>                     | <b>54,724,079</b>   | <b>4,030,470</b>        | <b>6,257,284</b>                         | <b>-</b>   | <b>(44,436,325)</b>                    |
| Support services                             |                     |                         |  |  |  |
| Pupil services                               | 5,194,680           | 169,093                 | 458,210                                  | -  | (4,567,377)                            |
| Instructional staff services                 | 4,326,142           | 2,352                   | 2,151,995                                | -  | (2,171,795)                            |
| General administrative services              | 1,417,044           | -                       | 44,080                                   | -  | (1,372,964)                            |
| Building administrative services             | 3,506,840           | 304,548                 | 52,648                                   | 177,272  | (2,972,372)                            |
| Business administrative services             | 18,695,395          | 2,415,265               | 1,057,884                                | -  | (15,222,246)                           |
| Central services                             | 2,341,949           | 113,614                 | -  | -  | (2,228,335)                            |
| Insurance and judgments                      | 930,760             | -                       | 3,650                                    | -  | (927,110)                              |
| Other support services                       | 1,923,194           | -                       | -  | -  | (1,923,194)                            |
| Interest on debt                             | 2,398,502           | -                       | -  | -  | (2,398,502)                            |
| <b>Total support services</b>                | <b>40,734,506</b>   | <b>3,004,872</b>        | <b>3,768,467</b>                         | <b>177,272</b>   | <b>(33,783,895)</b>                    |
| <b>Total school district</b>                 | <b>\$95,458,585</b> | <b>\$ 7,035,342</b>     | <b>\$ 10,025,751</b>                     | <b>\$ 177,272</b>  | <b>(78,220,220)</b>                    |
| <b>GENERAL REVENUES</b>                      |                     |                         |  |  |  |
| TAXES  |                     |                         |  |  |  |
| Property taxes, levied for general purposes  |                     |                         |  |  | 68,461,291                             |
| Property taxes, levied for debt service      |                     |                         |  |  | 5,675,644                              |
| Property taxes, levied for specific purposes |                     |                         |  |  | 392,317                                |
| Other taxes                                  |                     |                         |  |  | 6,619                                  |
| FEDERAL AND STATE AID NOT RESTRICTED         |                     |                         |  |  |  |
| General (equalization aid)                   |                     |                         |  |  | 2,761,940                              |
| Other  |                     |                         |  |  | 4,259,268                              |
| Interest and investment earnings             |                     |                         |  |  | 32,934                                 |
| Gain on disposal of assets                   |                     |                         |  |  | 12,784                                 |
| Miscellaneous                                |                     |                         |  |  | 502,389                                |
| Change in net position                       |                     |                         |  |  | 3,884,966                              |
| Net Position—beginning of year, as restated  |                     |                         |  |  | 72,486,398                             |
| <b>Net Position—end of year</b>              |                     |                         |  |  | <b>\$ 76,371,364</b>                   |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2015

|  | General Fund        | Debt<br>Service Fund | Capital<br>Projects | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------|---------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                      |                     |                   |                                |
| Cash and investments                       | \$16,567,964        | \$ 1,462,074         | \$ 7,158,510        | \$ 696,960        | \$25,885,508                   |
| Accounts receivable                        | 17,964,630          | 7,000                | 46,002              | 45,246            | 18,062,878                     |
| Due from other governments                 | 3,503,185           | -                    | -                   | -                 | 3,503,185                      |
| Due from other funds                       | -                   | 118,831              | -                   | -                 | 118,831                        |
| Inventory                                  | 4,956               | -                    | -                   | 1,118             | 6,074                          |
| Prepaid expenditures                       | 30,407              | -                    | -                   | -                 | 30,407                         |
| <b>Total assets</b>                        | <b>\$38,071,142</b> | <b>\$ 1,587,905</b>  | <b>\$ 7,204,512</b> | <b>\$ 743,324</b> | <b>\$47,606,883</b>            |
| <b>LIABILITIES</b>                         |                     |                      |                     |                   |                                |
| Accounts payable                           | \$ 251,046          | \$ 72,485            | \$ -                | \$ 85             | \$ 323,616                     |
| Accrued salaries and wages                 | 3,790,954           | -                    | -                   | -                 | 3,790,954                      |
| Payroll taxes and withholdings             | 3,377,088           | -                    | -                   | -                 | 3,377,088                      |
| Due to other funds                         | -                   | -                    | 118,831             | -                 | 118,831                        |
| Medical claims payable                     | 2,737,065           | -                    | -                   | -                 | 2,737,065                      |
| Unearned revenues                          | 23,928              | -                    | -                   | 107,369           | 131,297                        |
| <b>Total liabilities</b>                   | <b>10,180,081</b>   | <b>72,485</b>        | <b>118,831</b>      | <b>107,454</b>    | <b>10,478,851</b>              |
| <b>FUND BALANCES</b>                       |                     |                      |                     |                   |                                |
| Nonspendable                               | 35,363              | -                    | -                   | 1,118             | 36,481                         |
| Restricted                                 | -                   | 1,515,420            | 7,085,681           | 634,752           | 9,235,853                      |
| Committed                                  | 4,800,000           | -                    | -                   | -                 | 4,800,000                      |
| Assigned                                   | 13,875,000          | -                    | -                   | -                 | 13,875,000                     |
| Unassigned                                 | 9,180,698           | -                    | -                   | -                 | 9,180,698                      |
| <b>Total fund balances</b>                 | <b>27,891,061</b>   | <b>1,515,420</b>     | <b>7,085,681</b>    | <b>635,870</b>    | <b>37,128,032</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$38,071,142</b> | <b>\$ 1,587,905</b>  | <b>\$ 7,204,512</b> | <b>\$ 743,324</b> | <b>\$47,606,883</b>            |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2015

|   |                     |                             |
|---|---------------------|-----------------------------|
| Total fund balances—governmental funds  |                     | \$ 37,128,032               |
| Amounts reported for governmental activities in the statement of net position are different because:  |                     |                             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:  |                     |                             |
| Cost of capital assets  | \$ 152,219,770      |                             |
| Accumulated depreciation  | <u>(57,370,181)</u> |                             |
| Net capital assets  |                     | 94,849,589                  |
| The net pension asset is not an available resource and, therefore, is not reported in the governmental funds  |                     | 8,769,488                   |
| Premiums and deferred charges associated with the issuance of long-term debt are capitalized in the statement of net position and amortized over the life of the related bonds. Those assets and liabilities at year-end consist of:            |                     |                             |
| Deferred charge on debt refunding   |                     | 427,148                     |
| Unamortized debt premium  |                     | <u>(461,160)</u>            |
| Certain assets and liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as assets and liabilities in the governmental funds. Those assets and liabilities at year-end consist of: |                     |                             |
| Deferred outflows related to pension  | 9,689,699           |                             |
| Bonds and notes payable   | (62,414,279)        |                             |
| Accrued interest payable  | (472,144)           |                             |
| Compensated absences  | (174,596)           |                             |
| Other postemployment benefits   | <u>(10,970,413)</u> |                             |
| Total long-term debt liabilities  |                     | <u>(64,341,733)</u>         |
| Total net position—governmental activities  |                     | <u><u>\$ 76,371,364</u></u> |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2015

|  | General Fund         | Debt<br>Service Fund | Capital<br>Projects | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|---------------------|-------------------|--------------------------------|
| <b>REVENUES</b>  |                      |                      |                     |                   |                                |
| Taxes  | \$ 68,467,910        | \$ 5,675,644         | \$ -                | \$ 392,317        | \$ 74,535,871                  |
| Local  | 2,032,576            | 2,132                | 177,402             | 2,762,817         | 4,974,927                      |
| Interdistrict payments                                       | 5,485,530            | -                    | -                   | -                 | 5,485,530                      |
| Intermediate sources   | 20,535               | -                    | -                   | -                 | 20,535                         |
| State  | 10,606,211           | -                    | -                   | 28,115            | 10,634,326                     |
| Federal  | 2,534,141            | -                    | -                   | 643,048           | 3,177,189                      |
| Other sources  | 395,208              | 102,987              | -                   | 4,194             | 502,389                        |
| <b>Total revenues</b>  | <b>89,542,111</b>    | <b>5,780,763</b>     | <b>177,402</b>      | <b>3,830,491</b>  | <b>99,330,767</b>              |
| <b>EXPENDITURES</b>  |                      |                      |                     |                   |                                |
| Instruction  |                      |                      |                     |                   |                                |
| Regular instruction  | 37,277,154           | -                    | -                   | 97,554            | 37,374,708                     |
| Vocational instruction                                       | 1,638,249            | -                    | -                   | 44,503            | 1,682,752                      |
| Physical instruction   | 1,938,855            | -                    | -                   | 3,112             | 1,941,967                      |
| Special education instruction                                | 12,213,997           | -                    | -                   | -                 | 12,213,997                     |
| Other instruction  | 1,482,128            | -                    | -                   | 156,567           | 1,638,695                      |
| <b>Total instruction</b>                                     | <b>54,550,383</b>    | <b>-</b>             | <b>-</b>            | <b>301,736</b>    | <b>54,852,119</b>              |
| Support services   |                      |                      |                     |                   |                                |
| Pupil services   | 5,190,387            | -                    | -                   | 4,293             | 5,194,680                      |
| Instructional staff services                                 | 4,272,630            | -                    | -                   | 48,918            | 4,321,548                      |
| General administrative services                              | 1,416,354            | -                    | -                   | -                 | 1,416,354                      |
| Building administrative services                             | 3,488,522            | -                    | -                   | 15,565            | 3,504,087                      |
| Business administrative services                             | 12,140,618           | -                    | -                   | 3,201,202         | 15,341,820                     |
| Central services   | 1,835,226            | -                    | -                   | -                 | 1,835,226                      |
| Insurance and judgments                                      | 899,274              | -                    | -                   | 31,486            | 930,760                        |
| Other support services                                       | 1,922,277            | -                    | -                   | 917               | 1,923,194                      |
| <b>Total support services</b>                                | <b>31,165,288</b>    | <b>-</b>             | <b>-</b>            | <b>3,302,381</b>  | <b>34,467,669</b>              |
| Capital outlay   | 1,805,596            | -                    | 180,900             | 99,713            | 2,086,209                      |
| Debt service   |                      |                      |                     |                   |                                |
| Principal  | 436,634              | 8,125,000            | -                   | -                 | 8,561,634                      |
| Interest and fees  | 33,283               | 2,506,005            | -                   | -                 | 2,539,288                      |
| <b>Total expenditures</b>                                    | <b>87,991,184</b>    | <b>10,631,005</b>    | <b>180,900</b>      | <b>3,703,830</b>  | <b>102,506,919</b>             |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,550,927            | (4,850,242)          | (3,498)             | 126,661           | (3,176,152)                    |
| Other financing sources (uses)                               |                      |                      |                     |                   |                                |
| Long term debt issued  | -                    | -                    | 6,740,000           | -                 | 6,740,000                      |
| Refunding bonds and notes issued                             | -                    | 4,550,000            | -                   | -                 | 4,550,000                      |
| Payment to refunding bond escrow agent                       | -                    | (4,616,209)          | -                   | -                 | (4,616,209)                    |
| Debt issuance premiums                                       | -                    | 183,670              | -                   | -                 | 183,670                        |
| Proceeds from sale of capital assets                         | 12,784               | -                    | -                   | -                 | 12,784                         |
| Transfers in (out)   | (4,550,044)          | 4,549,044            | 1,000               | -                 | -                              |
| <b>Total other financing sources (uses)</b>                  | <b>(4,537,260)</b>   | <b>4,666,505</b>     | <b>6,741,000</b>    | <b>-</b>          | <b>6,870,245</b>               |
| <b>Net change in fund balances</b>                           | <b>(2,986,333)</b>   | <b>(183,737)</b>     | <b>6,737,502</b>    | <b>126,661</b>    | <b>3,694,093</b>               |
| Fund balances—beginning of year                              | 30,877,394           | 1,699,157            | 348,179             | 509,209           | 33,433,939                     |
| <b>Fund balances—end of year</b>                             | <b>\$ 27,891,061</b> | <b>\$ 1,515,420</b>  | <b>\$ 7,085,681</b> | <b>\$ 635,870</b> | <b>\$ 37,128,032</b>           |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2015

|   |                    |                            |
|---|--------------------|----------------------------|
| Net change in fund balances—total governmental funds  |                    | \$ 3,694,093               |
| 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 the estimated useful lives as depreciation expense.   |                    |                            |
| Capital outlay reported in governmental fund statements   | \$ 2,086,209       |                            |
| Depreciation expense reported in the statement of activities  | <u>(3,900,577)</u> | (1,814,368)                |
| <br>  |                    |                            |
| Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long -term liabilities and does not affect the statement of activities. |                    | (11,290,000)               |
| <br>  |                    |                            |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.  |                    |                            |
| Bonds and notes   | 12,215,000         |                            |
| Capital leases  | <u>436,631</u>     | 12,651,631                 |
| <br>  |                    |                            |
| 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.   |                    |                            |
| Decrease in accrued interest payable  | 99,419             |                            |
| Premiums on issuances of debt   | (183,670)          |                            |
| Amortization of premiums on issuance of debt  | 140,431            |                            |
| Deferred charge on refunding  | 427,148            |                            |
| Net decrease in other postemployment benefits   | 15,249             |                            |
| Net increase in pension asset   | 116,503            |                            |
| Net decrease in compensated absences  | <u>28,530</u>      | <u>643,610</u>             |
| <br>  |                    |                            |
| Change in net position of governmental activities   |                    | <u><u>\$ 3,884,966</u></u> |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2015

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|                              | <u>Private<br/>Purpose Trust</u> | <u>Employee<br/>Benefit Trust</u> | <u>Agency</u>      |
|------------------------------|----------------------------------|-----------------------------------|--------------------|
| <b>ASSETS</b>                |                                  |                                   |                    |
| Cash and investments         | <u>\$ 20,952</u>                 | <u>\$ 5,731,935</u>               | <u>\$ 392,427</u>  |
| <b>LIABILITIES</b>           |                                  |                                   |                    |
| Due to student organizations | <u>\$ -</u>                      | <u>\$ -</u>                       | <u>\$ 392,427</u>  |
| <b>NET POSITION</b>          |                                  |                                   |                    |
| Restricted                   | <u><u>\$ 20,952</u></u>          | <u><u>\$ 5,731,935</u></u>        | <u><u>\$ -</u></u> |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2015

|                                 | <u>Private<br/>Purpose Trust</u> | <u>Employee<br/>Benefit Trust</u> |
|---------------------------------|----------------------------------|-----------------------------------|
| <b>ADDITIONS</b>                |                                  |                                   |
| Contributions                   | \$ -                             | \$ 4,253,467                      |
| Investment earnings             | 22                               | 5,186                             |
| Total additions                 | 22                               | 4,258,653                         |
| <b>DEDUCTIONS</b>               |                                  |                                   |
| Scholarships                    | 687                              | -                                 |
| Other postemployment benefits   | -                                | 2,657,984                         |
| Total deductions                | 687                              | 2,657,984                         |
| Change in net position          | (665)                            | 1,600,669                         |
| Net Position—beginning of year  | 21,617                           | 4,131,266                         |
| <b>Net Position—end of year</b> | <b>\$ 20,952</b>                 | <b>\$ 5,731,935</b>               |

See accompanying notes.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District of Elmbrook (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective July 1, 2014, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 68 defines the pension liability as the difference between the total pension liability and the value of assets set aside to pay benefits. A description of the pension plan and the impact on the financial statements of the District is provided on page 34.

**Reporting Entity**

The School District of Elmbrook operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board, provides elementary, secondary, vocational, and special education services for kindergarten through grade 12, and is comprised of all or parts of four taxing districts.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

**Basis of Presentation**

*District-wide Financial Statements*

The statement of net position and statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely on fees and charges for support. The District does not report any business-type activities.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

**General Fund**

The general fund is the general operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund**

Debt service fund is used to account for financial resources to be used for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Fund**

Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following nonmajor governmental funds:

**Special Revenue Funds**

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund and the Community Service Fund as special revenue funds.

Additionally, the District reports the following fund types:

**Private-Purpose Trust Fund**

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

**Employee Benefit Trust Fund**

Employee benefit trust fund is used to account for resources legally held in trust for the District's post-retirement health insurance benefits.

**Agency Fund**

Agency fund is used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted Net Position may be available to finance the program. It is the District's policy to first apply cost-reimbursement resources to such programs, followed by general revenues.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

**Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

The District may invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local governmental investment pool.

**Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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 in the governmental funds since it is believed that the amount of such allowance would not be material to the financial statements

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Inventories and Prepaid Items**

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

| <u>Assets</u>                   | <u>Years</u> |
|---------------------------------|--------------|
| Site improvements               | 20           |
| Buildings                       | 45           |
| Furniture and equipment         | 5-20         |
| Computer and related technology | 5            |

**Pensions**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Three items that meet this criterion, expected vs. actual experience of the pension plan, expected vs. actual investment income of the pension plan and contributions after measurement date, relate to the allocation of the pension activity resulting from the implementation of GASB Statement 68.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide financial statements.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows as of June 30, 2015.

**Compensated Absences and Other Employee Benefit Amounts**

District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with district policies. In the event of retirement, death or resignation of an employee, the District is obligated to pay for all unused vacation days. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Sick pay does not vest.

**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 certain reported amounts and disclosures. Actual results could differ from those estimates.

**Long-Term Obligations**

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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.

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were not significant claims or judgments at year end.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Net Position**

In the district-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

*Restricted Net Position*—Consists of Net Position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—All other Net Position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

*Nonspendable*—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

*Restricted*—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed*—Resources that can only be used for specific purposes as the result of a formal action, the adoption of a resolution, by the District’s Board of Education. Any changes in the constraints imposed require the same formal action, the adoption of a resolution, by the District that originally created the commitment.

*Assigned*—Resources that are neither restricted nor committed for which the District has stated intended use as established by the District Board of Education.

*Unassigned*—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

**Use of Restricted Resources**

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit doing this. Additionally The District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by School Board resolution. Appropriations lapse at year end unless specifically carried over.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2015, cash and investments consist of the following:

|  | Statement<br>Balance | Carrying<br>Value    | Risk                     |
|--|----------------------|----------------------|--------------------------|
| Cash on hand                               | \$ 34,205            | \$ 34,205            |                          |
| Deposits with financial institutions       | 1,144,874            | 1,076,479            | Custodial                |
| Wisconsin Investment Series Cooperative    | 29,206,028           | 27,320,850           | Credit and interest rate |
| Wisconsin Local Government Investment Pool | 3,599,289            | 3,599,288            | Credit and interest rate |
|  | <u>\$ 33,984,396</u> | <u>\$ 32,030,822</u> |                          |

The District's cash and investments are reported in the financial statements as follows:

|                                     |                      |
|-------------------------------------|----------------------|
| Statement of net position           |                      |
| Governmental activities             | \$ 25,885,508        |
| Statement of fiduciary net position |                      |
| Private Purpose Trust               | 20,952               |
| Employee Benefit Trust              | 5,731,935            |
| Agency Fund                         | <u>392,427</u>       |
|                                     | <u>\$ 32,030,822</u> |

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 2—CASH AND INVESTMENTS (continued)

3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
  - a. Bonds or securities issued under the authority of the municipality;
  - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
  - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
  - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
  - e. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy which permits all investment authorized under state statutes as described above.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. 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 of fair value losses arising from increasing interest rates. As of June 30, 2015, money market, Wisconsin Local Government Investment Pool (LGIP) and Wisconsin Investment Series Cooperative (WISC) investments have a maturity of 12 months or less.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would 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 risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 2—CASH AND INVESTMENTS (continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for non-interest bearing accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2015, \$13,543,057 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

The District voluntarily invests excess funds in the LGIP, an external investment pool. The LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2015 the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported on page 27.

PMA Financial Network is the administrator and investment manager for the WISC. The WISC is not registered with the Securities and Exchange Commission, but invests in funds in accordance with applicable Wisconsin statutes. The WISC is not rated. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2015, the District's share of the WISC's assets was substantially equal to the amount reported on page 27. The District is subject to market risk and credit risk through its investment in WISC.

*Concentration of Credit Risk*

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

NOTE 3—INTERFUND ADVANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts, the general fund, as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

| Receivable fund | Payable fund     | Amount     |
|-----------------|------------------|------------|
| Debt Service    | Capital Projects | \$ 118,831 |

For the statement of net position, the interfund balances which are owed within the governmental activities are netted and eliminated.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 3—INTERFUND ADVANCES AND TRANSFERS (continued)**

The following balances as of June 30, 2015 represent transfer in/out between all funds:

| <u>Transferred to</u> | <u>Transferred from</u> | <u>Amount</u>       |
|-----------------------|-------------------------|---------------------|
| Debt Service          | General Fund            | \$ 4,549,044        |
| Capital Projects      | General Fund            | <u>1,000</u>        |
|                       |                         | <u>\$ 4,550,044</u> |

**NOTE 4—UNEARNED REVENUE**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds were as follows:

|              | <u>Unearned</u>   |
|--------------|-------------------|
| Student fees | <u>\$ 131,297</u> |

**NOTE 5—CAPITAL ASSETS**

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

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>      | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------------|--------------------|---------------------------|
| Capital assets not being depreciated       |                              |                       |                    |                           |
| Land                                       | \$ 2,054,466                 | \$ -                  | \$ -               | \$ 2,054,466              |
| Capital assets being depreciated           |                              |                       |                    |                           |
| Building                                   | 140,300,919                  | 1,611,164             | -                  | 141,912,083               |
| Equipment                                  | <u>7,784,614</u>             | <u>475,045</u>        | <u>(6,438)</u>     | <u>8,253,221</u>          |
| Total capital assets being depreciated     | 148,085,533                  | 2,086,209             | (6,438)            | 150,165,304               |
| Less accumulated depreciation              | <u>53,476,042</u>            | <u>3,900,577</u>      | <u>(6,438)</u>     | <u>57,370,181</u>         |
| Total capital assets being depreciated—net | <u>94,609,491</u>            | <u>(1,814,368)</u>    | <u>-</u>           | <u>92,795,123</u>         |
| Capital assets-net                         | <u>\$ 96,663,957</u>         | <u>\$ (1,814,368)</u> | <u>\$ -</u>        | <u>\$ 94,849,589</u>      |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 5—CAPITAL ASSETS (continued)

Depreciation expense for governmental activities for the year ended June 30, 2015 was charged to functions as follows:

|                                  |    |                            |
|----------------------------------|----|----------------------------|
| Regular instruction              | \$ | 11,165                     |
| Vocational instruction           |    | 2,379                      |
| Special education instruction    |    | 1,165                      |
| Other instruction                |    | 17,533                     |
| Instructional staff services     |    | 4,594                      |
| General administrative services  |    | 690                        |
| Building administrative services |    | 2,753                      |
| Business administrative services |    | 3,353,575                  |
| Central services                 |    | <u>506,723</u>             |
| Total depreciation:              |    | <u><u>\$ 3,900,577</u></u> |

NOTE 6—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

NOTE 7—SHORT TERM DEBT ACTIVITY

The District entered into a short term borrowing agreement with the City of Brookfield for working capital and operational cash flow needs pending receipt of the District's equalization aid allocations from the state government. The note was dated December 18, 2014 and matured January 15, 2015, with an interest rate of .07%. Interest for the year ended June 30, 2015 was \$788.

Short-term debt activity for the year ended June 30, 2015 was as follows:

| Balance<br>July 1, 2014 | Additions    | Payments     | Balance<br>June 30, 2015 |
|-------------------------|--------------|--------------|--------------------------|
| \$ -                    | \$ 1,500,000 | \$ 1,500,000 | \$ -                     |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 8—LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2015 was as follows:

|  | Balance<br>July 1, 2014 | Additions           | Reductions           | Balance<br>June 30, 2015 | Due Within<br>One Year |
|--|-------------------------|---------------------|----------------------|--------------------------|------------------------|
| General obligation bonds                 | \$ 63,015,000           | \$11,290,000        | \$ 12,215,000        | \$62,090,000             | \$ 4,155,000           |
| Accrued compensated<br>absences-vacation | 203,726                 | 174,596             | 203,726              | 174,596                  | 174,596                |
| Capital lease                            | 760,910                 | -                   | 436,631              | 324,279                  | 238,075                |
| <b>Total long-term liabilities</b>       | <b>\$ 63,979,636</b>    | <b>\$11,464,596</b> | <b>\$ 12,855,357</b> | <b>\$62,588,875</b>      | <b>\$ 4,567,671</b>    |

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2015 was \$2,363,906 and \$2,264,487, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the Debt service fund.

General obligation debt at June 30, 2015 is comprised of the following individual issues

| Description                          | Issue<br>Date | Interest<br>Rate (%) | Date of<br>Maturity | Original<br>Amounts | Balance<br>6/30/2015 |
|--------------------------------------|---------------|----------------------|---------------------|---------------------|----------------------|
| G.O. bonds                           | 7/14/2008     | 4 to 5%              | 4/1/2028            | \$31,000,000        | \$ 5,985,000         |
| G.O. bonds                           | 2/10/2009     | 2.75 to 4.5%         | 4/1/2028            | 31,190,000          | 22,995,000           |
| G.O. bonds (QSCB)                    | 2/15/2011     | 5.25%                | 4/1/2024            | 2,115,000           | 2,115,000            |
| G.O. refunding bonds                 | 2/15/2011     | 2 to 4%              | 4/1/2022            | 785,000             | 540,000              |
| G.O. refunding bonds                 | 12/19/2013    | 2 to 3.05%           | 4/1/2028            | 9,540,000           | 9,360,000            |
| G.O. refunding bonds                 | 4/1/2014      | 1 to 2.625%          | 4/1/2025            | 10,000,000          | 9,805,000            |
| G.O. refunding bonds                 | 6/18/2015     | 2 to 2.75%           | 4/1/2028            | 4,550,000           | 4,550,000            |
| G.O. promissory notes                | 6/18/2015     | 2.00%                | 4/1/2022            | 5,230,000           | 5,230,000            |
| G.O. promissory notes                | 6/18/2015     | .60 to 2.00%         | 4/1/2018            | 1,510,000           | 1,510,000            |
| <b>Total general obligation debt</b> |               |                      |                     |                     | <b>\$ 62,090,000</b> |

The District issued Qualified School Construction Bonds (QSCB) in a prior year. The QSCB program was created by the American Recovery and Reinvestment Act (RECOVERY ACT). The QSCB program provides the District with an opportunity to save on interest costs associated with financing school renovations and new construction. The Internal Revenue Service provides the District with a reimbursement of 100% of interest costs paid by the District on QSCB. The District received \$102,210 from the IRS in 2015.

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$7,430,853,724. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 8—LONG-TERM OBLIGATIONS (continued)

jurisdiction. The legal debt limit, as of June 30, 2015 was as follows:

|   |    |             |
|---|----|-------------|
| Debt limit (10% of \$7,430,853,724)             | \$ | 743,085,372 |
| Less: long-term debt applicable to debt margin: |    | 62,090,000  |
| Margin of indebtedness:                         | \$ | 680,995,372 |

Debt service requirements to maturity on general obligation debt are as follows:

| <b>Year Ended</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>  |
|-------------------|------------------|-----------------|---------------|
| <b>June 30</b>    |                  |                 |               |
| 2016              | \$ 4,155,000     | \$ 1,972,324    | \$ 6,127,324  |
| 2017              | 4,555,000        | 1,906,773       | 6,461,773     |
| 2018              | 4,635,000        | 1,774,947       | 6,409,947     |
| 2019              | 4,640,000        | 1,628,941       | 6,268,941     |
| 2020              | 4,525,000        | 1,464,985       | 5,989,985     |
| 2021-2025         | 24,960,000       | 5,065,219       | 30,025,219    |
| 2026-2030         | 14,620,000       | 930,456         | 15,550,456    |
|                   | \$ 62,090,000    | \$ 14,743,645   | \$ 76,833,645 |

The government issued \$4,550,000 in general obligation refunding bonds with interest rates ranging from 2.00% to 2.75%. The proceeds were used to advance refund \$4,090,000 of outstanding 2009 general obligation bonds which had interest rates ranging from 2.75% to 4.50%. The net proceeds of \$4,561,389 (including \$64,839 premiums and after payment of \$53,450 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, certain future debt service requirements for the 2009 general obligation are considered defeased and the liability for those bonds has been removed from the statement of net position.

In current and prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2015 \$21,185,000 of bonds outstanding are considered defeased.

As of June 30, 2015, the District had assets held under several capital lease obligations. Included in furniture and equipment are the following assets held under capital leases as of June 30, 2015:

|                               |    |           |
|-------------------------------|----|-----------|
| Furniture and equipment       | \$ | 1,683,747 |
| Less accumulated amortization |    | (976,424) |
|                               | \$ | 707,323   |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 8—LONG-TERM OBLIGATIONS (continued)

Future minimum lease payments for assets held under capital leases are as follows:

| Year Ending<br>June 30,                     | Amount     |
|---|------------|
| 2016  | \$ 238,075 |
| 2017  | 80,088     |
| 2018  | 29,345     |
| Total minimum lease payments                | 347,508    |
| Less amount representing interest           | (23,229)   |
| Present value of net minimum lease payments | \$ 324,279 |

NOTE 9—LEASE AGREEMENTS, AS LESSEE

The District has entered into lease agreements for copiers, computers, vehicles and space. Total costs for such leases were approximately \$400,000 in the year ended June 30, 2015. The future minimum lease payments under these operating leases at June 30, 2015 are as follows:

| Year Ending<br>June 30, | Amount       |
|-------------------------|--------------|
| 2016                    | \$ 288,145   |
| 2017                    | 217,311      |
| 2018                    | 175,000      |
| 2019                    | 175,000      |
| 2020                    | 175,000      |
| 2021-2025               | 525,000      |
|                         | \$ 1,555,456 |

NOTE 10—EMPLOYEE'S RETIREMENT SYSTEM

**General Information**

*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.

*Vesting.* For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 10—EMPLOYEE’S RETIREMENT SYSTEM (continue)

eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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

The WRS also provides death and disability benefits for employees.

*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 (“floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

| Year | Core Fund<br>Adjustment | Variable<br>Fund<br>Adjustment |
|------|-------------------------|--------------------------------|
| 2005 | 2.6%                    | 7.0%                           |
| 2006 | 0.8                     | 3.0                            |
| 2007 | 3.0                     | 10.0                           |
| 2008 | 6.6                     | 0.0                            |
| 2009 | (2.1)                   | (42.0)                         |
| 2010 | (1.3)                   | 22.0                           |
| 2011 | (1.2)                   | 11.0                           |
| 2012 | (7.0)                   | (7.0)                          |
| 2013 | (9.6)                   | 9.0                            |
| 2014 | 4.7                     | 25.0                           |

*Contributions.* Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 10—EMPLOYEE’S RETIREMENT SYSTEM (continue)

teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$3,410,971 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

| <u>Employer Category</u>           | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including teachers)       | 6.8%            | 6.8%            |
| Executives & Elected Officials     | 7.7%            | 7.7%            |
| Protective with Social Security    | 6.8%            | 9.5%            |
| Protective without Social Security | 6.8%            | 13.1%           |

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

At June 30, 2015, the School District of Elmbrook reported an asset of \$8,769,488 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The School District of Elmbrook’s proportion of the net pension asset was based on the School District of Elmbrook’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the School District of Elmbrook’s proportion was .357024%, which was a decrease of .006064% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School District of Elmbrook recognized pension expense of \$3,441,326.

At June 30, 2015, the School District of Elmbrook reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> |
|---|---|
| Differences between expected and actual experience                                | \$ 1,271,303                              |
| Net differences between projected and actual earnings on pension plan investments | 4,246,609                                 |
| Employer contributions subsequent to the measurement date                         | 4,171,787                                 |
| <b>Total</b>  | <b>\$ 9,689,699</b>                       |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 10—EMPLOYEE’S RETIREMENT SYSTEM (continue)

\$4,171,787 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30: | <u>Deferred Outflow<br/>of Resources</u> |
|---------------------|--|
| 2016                | \$ 1,109,793                             |
| 2017                | 1,109,793                                |
| 2018                | 1,109,793                                |
| 2019                | 1,109,793                                |
| 2020                | 1,078,741                                |

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

|                                       |                                |
|---------------------------------------|--------------------------------|
| Actuarial Valuation Date:             | December 31, 2013              |
| Measurement Date of Net Pension Asset | December 31, 2014              |
| Actuarial Cost Method:                | Entry Age                      |
| Asset Valuation Method:               | Fair Market Value              |
| Long-Term Expected Rate of Return:    | 7.2%                           |
| Discount Rate:                        | 7.2%                           |
| Salary Increase:                      |                                |
| Inflation                             | 3.2%                           |
| Seniority/Merit                       | 0.2% - 5.8%                    |
| Mortality:                            | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments*          | 2.1%                           |

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

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

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

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 10—EMPLOYEE’S RETIREMENT SYSTEM (continue)

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

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

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

|  | 1% Decrease to<br>Discount Rate<br>(6.20%) | Current<br>Discount Rate<br>(7.20%) | 1% Increase to<br>Discount Rate<br>(8.20%) |
|--|--|-------------------------------------|--|
| School District of Elmbrook’s proportionate share of the net pension asset | \$ 24,740,235                              | \$ (8,769,488)                      | \$ (35,234,112)                            |

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 11—OTHER POST-EMPLOYMENT BENEFITS**

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. There are approximately 725 active and 625 retired members in the plan as of June 30, 2015. Benefits and eligibility are established and amended by the governing body.

*Funding Policy.* The District has \$5,731,935 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions, and for the year ended June 30, 2015 the District contributed \$2,271,110 to the School District of Elmbrook Post-Employment Benefits Trust.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

|  |                             |
|--|-----------------------------|
| Annual required contribution               | \$ 2,470,444                |
| Interest on net OPEB obligation            | 329,570                     |
| Adjustment to annual required contribution | <u>(544,154)</u>            |
| Annual OPEB cost (expense)                 | 2,255,860                   |
| OPEB payments made                         | <u>(2,271,110)</u>          |
| Increase in net OPEB obligation            | (15,250)                    |
| Net OPEB obligation - beginning of year    | <u>10,985,663</u>           |
| Net OPEB obligation - end of year          | <u><u>\$ 10,970,413</u></u> |

The District's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 and the preceding two years was as follows:

| Fiscal<br>Year<br>Ended | Annual<br>OPEB Cost | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net<br>OPEB<br>Obligation |
|-------------------------|---------------------|---|---------------------------|
| 6/30/2015               | \$ 2,255,860        | 101%  | \$ 10,970,413             |
| 6/30/2014               | 2,251,547           | 96%   | 10,985,663                |
| 6/30/2013               | 2,792,676           | 76%   | 10,893,038                |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (continued)

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$27,667,241 and the actuarial value of assets was \$3,902,200 resulting in an unfunded actuarial accrued liability (UAAL) of \$23,765,041. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-14 fiscal year was \$45,467,394 for a ratio of the UAAL to covered payroll of 52.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return and an initial annual healthcare cost trend rate of 6.0 percent, reduced by decrements to an ultimate rate of 4.4 percent. The UAAL is being amortized on a level dollar basis. The remaining amortization period at June 30, 2013 was 30 years.

NOTE 12—SELF FUNDED INSURANCE

On September 1, 1988 the District established a self-funded health and dental benefit plan for its employees. The Plan administrators, UMR and Delta Dental are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending December 31.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims. The District has no stop-loss coverage for dental care coverage of the Plan.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

NOTE 12—SELF FUNDED INSURANCE (continued)

At June 30, 2015 the District has reported a liability of \$1,150,000, which represents reported and unreported claims which were incurred on or before June 30, 2015, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Change in the claims liability for the year ended June 30, 2015 is as follows:

|                              | Beginning<br>Balance | Claims<br>IBNR | Claim<br>Payments | Ending<br>Balance |
|------------------------------|----------------------|----------------|-------------------|-------------------|
| Estimated claims outstanding | \$ 979,000           | \$10,490,276   | \$ 10,319,276     | \$ 1,150,000      |

NOTE 13—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2015 consist of the following:

|  |               |
|--|---------------|
| Net investment in capital assets           | \$ 38,966,702 |
| Restricted                                 |               |
| Special revenue                            | 635,870       |
| Capital projects                           | 7,085,681     |
| Debt service                               | 1,043,276     |
| Total restricted                           | 8,764,827     |
| Unrestricted                               | 28,639,835    |
| Total governmental activities net position | \$ 76,371,364 |

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 14—GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the financial statements at June 30, 2015 include the following:

|  |                             |
|--|-----------------------------|
| Nonspendable                             |                             |
| Inventories and prepaid expenditures     |                             |
| General fund                             | \$ 35,363                   |
| Nutrition services                       | 1,118                       |
|  | <u>36,481</u>               |
| Total nonspendable fund balance          | 36,481                      |
| Restricted                               |                             |
| Special revenue                          | 219,129                     |
| Capital projects                         | 7,085,681                   |
| Debt service                             | 1,515,420                   |
| Nutrition services                       | 305,957                     |
| Community services                       | 109,666                     |
|  | <u>9,235,853</u>            |
| Total restricted                         | 9,235,853                   |
| Committed                                |                             |
| Self funded insurance                    | 3,500,000                   |
| Health reimbursement accounts            | 1,300,000                   |
|  | <u>4,800,000</u>            |
| Total committed                          | 4,800,000                   |
| Assigned                                 |                             |
| Energy contingency                       | 150,000                     |
| Capital needs                            | 250,000                     |
| Energy return on investment projects     | 375,000                     |
| HVAC replacement                         | 11,200,000                  |
| Central administrative office relocation | 1,900,000                   |
|  | <u>13,875,000</u>           |
| Total assigned                           | 13,875,000                  |
| Unassigned                               | <u>9,180,698</u>            |
| Total governmental fund balance          | <u><u>\$ 37,128,032</u></u> |

**NOTE 15—RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; and worker compensation. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

**NOTE 16—COMMITMENTS AND CONTINGENCIES**

From time to time the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 16—COMMITMENTS AND CONTINGENCIES (continued)**

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

**NOTE 17—PRIOR PERIOD ADJUSTMENT**

The Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Under GASB 68, the District is required to disclose the net pension asset on the statement of net position. As a result, an adjustment of \$18,342,684 was made to increase the June 30, 2014 net position of the Government Activities on the statement of activities based on the net pension asset balance and the related deferred outflows of resources balances as of June 30, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2015

|  | Budgeted Amounts     |                      |                      | Variance<br>with Final<br>Budget |
|--|----------------------|----------------------|----------------------|----------------------------------|
|  | Original             | Final                | Actual               |                                  |
| <b>REVENUES</b>  |                      |                      |                      |                                  |
| Taxes  | \$ 68,467,910        | \$ 68,467,910        | \$ 68,467,910        | \$ -                             |
| Local  | 1,960,103            | 1,960,103            | 2,032,576            | 72,473                           |
| Interdistrict payments                                       | 2,619,838            | 2,619,838            | 2,561,957            | (57,881)                         |
| Intermediate sources   | -                    | -                    | 15,274               | 15,274                           |
| State  | 6,903,999            | 6,903,999            | 6,958,463            | 54,464                           |
| Federal  | 607,891              | 607,891              | 783,711              | 175,820                          |
| Other sources  | 102,564              | 102,564              | 380,983              | 278,419                          |
| Total revenues   | <u>80,662,305</u>    | <u>80,662,305</u>    | <u>81,200,874</u>    | <u>538,569</u>                   |
| <b>EXPENDITURES</b>  |                      |                      |                      |                                  |
| Instruction  |                      |                      |                      |                                  |
| Regular instruction  | 37,922,437           | 37,833,460           | 37,264,345           | 569,115                          |
| Vocational instruction                                       | 1,558,612            | 1,599,579            | 1,638,249            | (38,670)                         |
| Physical instruction   | 1,919,456            | 1,918,828            | 1,938,855            | (20,027)                         |
| Other instruction  | 1,346,776            | 1,340,391            | 1,467,901            | (127,510)                        |
| Total instruction  | <u>42,747,281</u>    | <u>42,692,258</u>    | <u>42,309,350</u>    | <u>382,908</u>                   |
| Support services   |                      |                      |                      |                                  |
| Pupil services   | 3,325,128            | 3,334,355            | 3,410,197            | (75,842)                         |
| Instructional staff services                                 | 3,683,189            | 3,656,742            | 3,577,944            | 78,798                           |
| General administrative services                              | 1,548,102            | 1,557,902            | 1,413,402            | 144,500                          |
| Building administrative services                             | 3,462,737            | 3,501,952            | 3,417,830            | 84,122                           |
| Business administrative services                             | 12,243,226           | 12,280,779           | 11,395,913           | 884,866                          |
| Central services   | 1,517,353            | 1,727,617            | 1,829,010            | (101,393)                        |
| Insurance and judgments                                      | 786,805              | 786,805              | 775,068              | 11,737                           |
| Other support services                                       | 961,001              | 961,412              | 1,058,278            | (96,866)                         |
| Total support services                                       | <u>27,527,541</u>    | <u>27,807,564</u>    | <u>26,877,642</u>    | <u>929,922</u>                   |
| Capital outlay   | 1,749,723            | 1,749,723            | 1,749,723            | -                                |
| Debt service   |                      |                      |                      |                                  |
| Principal  | 542,666              | 317,666              | 436,634              | (118,968)                        |
| Interest and fees  | 44,554               | 44,554               | 33,283               | 11,271                           |
| Total expenditures   | <u>72,611,765</u>    | <u>72,611,765</u>    | <u>71,406,632</u>    | <u>1,205,133</u>                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>8,050,540</u>     | <u>8,050,540</u>     | <u>9,794,242</u>     | <u>1,743,702</u>                 |
| Other financing sources (uses)                               |                      |                      |                      |                                  |
| Proceeds from sale of assets                                 | -                    | -                    | 12,784               | 12,784                           |
| Transfers out  | (8,213,114)          | (8,213,114)          | (12,793,359)         | (4,580,245)                      |
| Total other financing sources (uses)                         | <u>(8,213,114)</u>   | <u>(8,213,114)</u>   | <u>(12,780,575)</u>  | <u>(4,567,461)</u>               |
| <b>Net change in fund balances</b>                           | <u>(162,574)</u>     | <u>(162,574)</u>     | <u>(2,986,333)</u>   | <u>(2,823,759)</u>               |
| Fund balances—beginning of year                              | <u>30,877,394</u>    | <u>30,877,394</u>    | <u>30,877,394</u>    | <u>-</u>                         |
| <b>Fund balances—end of year</b>                             | <u>\$ 30,714,820</u> | <u>\$ 30,714,820</u> | <u>\$ 27,891,061</u> | <u>\$ (2,823,759)</u>            |

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF ELMBROOK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—SPECIAL EDUCATION FUND**  
Year Ended June 30, 2015

|  | Budgeted Amounts  |                   | Actual            | Variance<br>with Final<br>Budget |
|--|-------------------|-------------------|-------------------|----------------------------------|
|  | Original          | Final             |                   |                                  |
| <b>REVENUES</b>  |                   |                   |                   |                                  |
| Interdistrict payments                                       | \$ 2,940,983      | \$ 2,940,983      | \$ 2,923,573      | \$ (17,410)                      |
| Intermediate sources   | -                 | -                 | 5,261             | 5,261                            |
| State  | 3,721,632         | 3,721,632         | 3,647,748         | (73,884)                         |
| Federal  | 1,926,181         | 1,926,181         | 1,750,430         | (175,751)                        |
| Other sources  | 4,095             | 4,095             | 14,225            | 10,130                           |
| <b>Total revenues</b>  | <b>8,592,891</b>  | <b>8,592,891</b>  | <b>8,341,237</b>  | <b>(251,654)</b>                 |
| <b>EXPENDITURES</b>  |                   |                   |                   |                                  |
| Instruction  |                   |                   |                   |                                  |
| Regular instruction  | 16,000            | 16,000            | 12,809            | 3,191                            |
| Special education instruction                                | 12,325,986        | 12,307,141        | 12,213,997        | 93,144                           |
| Other instruction  | 14,227            | 14,227            | 14,227            | -                                |
| <b>Total instruction</b>                                     | <b>12,356,213</b> | <b>12,337,368</b> | <b>12,241,033</b> | <b>96,335</b>                    |
| Support services   |                   |                   |                   |                                  |
| Pupil services   | 1,720,668         | 1,720,668         | 1,780,190         | (59,522)                         |
| Instructional staff services                                 | 723,620           | 738,593           | 694,686           | 43,907                           |
| General administrative services                              | -                 | -                 | 2,952             | (2,952)                          |
| Building administrative services                             | 77,677            | 77,677            | 70,692            | 6,985                            |
| Business administrative services                             | 809,185           | 813,057           | 744,705           | 68,352                           |
| Central services   | 8,300             | 8,300             | 6,216             | 2,084                            |
| Insurance and judgments                                      | 131,235           | 131,235           | 124,206           | 7,029                            |
| Other support services                                       | 878,234           | 878,234           | 863,999           | 14,235                           |
| <b>Total support services</b>                                | <b>4,348,919</b>  | <b>4,367,764</b>  | <b>4,287,646</b>  | <b>80,118</b>                    |
| Capital outlay   | 55,873            | 55,873            | 55,873            | -                                |
| <b>Total expenditures</b>                                    | <b>16,761,005</b> | <b>16,761,005</b> | <b>16,584,552</b> | <b>176,453</b>                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (8,168,114)       | (8,168,114)       | (8,243,315)       | (75,201)                         |
| Other financing sources                                      |                   |                   |                   |                                  |
| Transfers in   | 8,168,114         | 8,168,114         | 8,243,315         | 75,201                           |
| <b>Net change in fund balances</b>                           | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>                         |
| Fund balances—beginning of year                              | -                 | -                 | -                 | -                                |
| <b>Fund balances—end of year</b>                             | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>                      |

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF ELMBROOK**  
**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS**  
**AND GAAP REVENUES AND EXPENDITURES**  
Year Ended June 30, 2015

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|  | <u>General<br/>Fund</u>    |
|--|----------------------------|
| <b>A) Sources/Inflows of Resources:</b>  |                            |
| Budgeted general fund revenues from Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual              | \$81,200,874               |
| Reclassification:<br>Special Education Fund revenues are included in the General Fund, required for GAAP reporting                 | <u>8,341,237</u>           |
| General Fund revenues as reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds     | <u><u>\$89,542,111</u></u> |
| <b>B) Uses/Outflows of Resources:</b>  |                            |
| Actual amounts of total expenditures from the budgetary comparison schedule  | \$71,406,632               |
| Reclassification:<br>Special Education Fund expenditures are included in the General Fund, required for GAAP reporting             | <u>16,584,552</u>          |
| General Fund expenditures as reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u><u>\$87,991,184</u></u> |

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF FUNDING PROGRESS**  
Year Ended June 30, 2015

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>( a ) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>( b ) | Unfunded<br>AAL<br>(UAAL)<br>( b ) - ( a ) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>( c ) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>([b-a]/c) |
|--------------------------------|--|---|--|--------------------------|-----------------------------|---|
| 7/1/2013                       | \$ 3,902,200                             | \$ 27,667,241                                       | \$ 23,765,041                              | 14.1%                    | \$ 45,467,394               | 52.3%   |
| 7/1/2011                       | 2,046,096                                | 28,249,655  | 26,203,559                                 | 7.2%                     | 45,673,083                  | 57.4%   |
| 7/1/2010                       | 2,046,096                                | 43,636,136  | 41,590,040                                 | 4.7%                     | 49,276,069                  | 84.4%   |

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF**  
**PROPOTIONATE SHARE OF THE NET PENSION ASSET**  
 Wisconsin Retirement System  
 Last 10 Fiscal Years\*

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|  | 2015           |
|--|----------------|
| School District of Elmbrook's proportion of the net pension asset                    | .357024%       |
| School District of Elmbrook's proportionate share of the net pension asset           | \$ (8,769,488) |
| School District of Elmbrook's covered-employee payroll                               | \$48,610,258   |
| School District of Elmbrook's proportionate share as a percentage of covered payroll | 18%            |
| Plan fiduciary net position as a percentage of the total pension asset               | 102.74%        |

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

**SCHEDULE OF CONTRIBUTIONS**  
 Wisconsin Retirement System  
 Last 10 Fiscal Years\*

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|   |               |
|---|---------------|
| Contractually required contributions                                  | \$ 3,410,971  |
| Contributions in relation to the contractually required contributions | \$ 3,410,971  |
| Contribution deficiency (excess)                                      | \$ 0          |
| School District of Elmbrook's covered-employee payroll                | \$ 48,610,258 |
| Contributions as a percentage of covered-employee payroll             | 7.02%         |

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF ELMBROOK**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2015

**NOTE 1—BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

**Excess Expenditures Over Appropriations**

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2015.

| Function                 | Excess<br>Expenditures |
|--------------------------|------------------------|
| Vocational instruction   | \$ 38,670              |
| Physical instruction     | 20,027                 |
| Other instruction        | 127,510                |
| Pupil services           | 75,842                 |
| Central services         | 101,393                |
| Other support services   | 96,866                 |
| Debt service - principal | 118,968                |

**NOTE 2—FUNDING PROGRESS DATA**

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

**NOTE 3—NET PENSION ASSETS AND CONTRIBUTIONS**

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

*Changes of assumptions.* There were no changes in the assumptions.

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF ELMBROOK**  
**COMBINING BALANCE SHEET—GENERAL FUND**  
June 30, 2015

|  | General<br>Operating<br>Fund | Special<br>Education<br>Fund | Total<br>General<br>Fund |
|--|------------------------------|------------------------------|--------------------------|
| <b>ASSETS</b>                              |                              |                              |                          |
| Cash and investments                       | \$ 16,567,964                | \$ -                         | \$ 16,567,964            |
| Accounts receivable                        | 17,964,130                   | 500                          | 17,964,630               |
| Due from other governments                 | 908,674                      | 2,594,511                    | 3,503,185                |
| Due from other funds                       | 2,453,762                    | -                            | 2,453,762                |
| Inventory                                  | 4,956                        | -                            | 4,956                    |
| Prepaid expenditures                       | 29,222                       | 1,185                        | 30,407                   |
| <b>Total assets</b>                        | <b>\$ 37,928,708</b>         | <b>\$ 2,596,196</b>          | <b>\$ 40,524,904</b>     |
| <b>LIABILITIES</b>                         |                              |                              |                          |
| Accounts payable                           | \$ 128,500                   | \$ 122,546                   | \$ 251,046               |
| Accrued salaries and wages                 | 3,772,316                    | 18,638                       | 3,790,954                |
| Payroll taxes and withholdings             | 3,377,088                    | -                            | 3,377,088                |
| Due to other funds                         | -                            | 2,453,762                    | 2,453,762                |
| Medical claims payable                     | 2,737,065                    | -                            | 2,737,065                |
| Unearned revenues                          | 22,678                       | 1,250                        | 23,928                   |
| <b>Total liabilities</b>                   | <b>10,037,647</b>            | <b>2,596,196</b>             | <b>12,633,843</b>        |
| <b>FUND BALANCES</b>                       |                              |                              |                          |
| Nonspendable                               | 34,178                       | 1,185                        | 35,363                   |
| Committed                                  | 4,800,000                    | -                            | 4,800,000                |
| Assigned                                   | 13,875,000                   | -                            | 13,875,000               |
| Unassigned                                 | 9,181,883                    | (1,185)                      | 9,180,698                |
| <b>Total fund balances</b>                 | <b>27,891,061</b>            | <b>-</b>                     | <b>27,891,061</b>        |
| <b>Total liabilities and fund balances</b> | <b>\$ 37,928,708</b>         | <b>\$ 2,596,196</b>          | <b>\$ 40,524,904</b>     |

**SCHOOL DISTRICT OF ELMBROOK**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL FUND**  
Year Ended June 30, 2015

|  | General<br>Operating<br>Fund | Special<br>Education<br>Fund | Total<br>General<br>Fund    |
|--|------------------------------|------------------------------|-----------------------------|
| <b>REVENUES</b>  |                              |                              |                             |
| Taxes  | \$ 68,467,910                | \$ -                         | \$ 68,467,910               |
| Local  | 2,032,576                    | -                            | 2,032,576                   |
| Interdistrict payments                                       | 2,561,957                    | 2,923,573                    | 5,485,530                   |
| Intermediate sources   | 15,274                       | 5,261                        | 20,535                      |
| State  | 6,958,463                    | 3,647,748                    | 10,606,211                  |
| Federal  | 783,711                      | 1,750,430                    | 2,534,141                   |
| Other sources  | 380,983                      | 14,225                       | 395,208                     |
| Total revenues   | <u>81,200,874</u>            | <u>8,341,237</u>             | <u>89,542,111</u>           |
| <b>EXPENDITURES</b>  |                              |                              |                             |
| Instruction  |                              |                              |                             |
| Regular instruction  | 37,264,345                   | 12,809                       | 37,277,154                  |
| Vocational instruction                                       | 1,638,249                    | -                            | 1,638,249                   |
| Physical instruction   | 1,938,855                    | -                            | 1,938,855                   |
| Special education instruction                                | -                            | 12,213,997                   | 12,213,997                  |
| Other instruction  | 1,467,901                    | 14,227                       | 1,482,128                   |
| Total instruction  | <u>42,309,350</u>            | <u>12,241,033</u>            | <u>54,550,383</u>           |
| Support services   |                              |                              |                             |
| Pupil services   | 3,410,197                    | 1,780,190                    | 5,190,387                   |
| Instructional staff services                                 | 3,577,944                    | 694,686                      | 4,272,630                   |
| General administrative services                              | 1,413,402                    | 2,952                        | 1,416,354                   |
| Building administrative services                             | 3,417,830                    | 70,692                       | 3,488,522                   |
| Business administrative services                             | 11,395,913                   | 744,705                      | 12,140,618                  |
| Central services   | 1,829,010                    | 6,216                        | 1,835,226                   |
| Insurance and judgments                                      | 775,068                      | 124,206                      | 899,274                     |
| Other support services                                       | 1,058,278                    | 863,999                      | 1,922,277                   |
| Total support services                                       | <u>26,877,642</u>            | <u>4,287,646</u>             | <u>31,165,288</u>           |
| Capital outlay   | 1,749,723                    | 55,873                       | 1,805,596                   |
| Debt service   |                              |                              |                             |
| Principal  | 436,634                      | -                            | 436,634                     |
| Interest and fees  | 33,283                       | -                            | 33,283                      |
| Total expenditures   | <u>71,406,632</u>            | <u>16,584,552</u>            | <u>87,991,184</u>           |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>9,794,242</u>             | <u>(8,243,315)</u>           | <u>1,550,927</u>            |
| Other financing sources (uses)                               |                              |                              |                             |
| Proceeds from sale of assets                                 | 12,784                       | -                            | 12,784                      |
| Transfers in (out)   | (12,793,359)                 | 8,243,315                    | (4,550,044)                 |
| Total other financing sources (uses)                         | <u>(12,780,575)</u>          | <u>8,243,315</u>             | <u>(4,537,260)</u>          |
| <b>Net change in fund balances</b>                           | <b>(2,986,333)</b>           | <b>-</b>                     | <b>(2,986,333)</b>          |
| Fund balances—beginning of year                              | <u>30,877,394</u>            | <u>-</u>                     | <u>30,877,394</u>           |
| <b>Fund balances—end of year</b>                             | <b><u>\$ 27,891,061</u></b>  | <b><u>\$ -</u></b>           | <b><u>\$ 27,891,061</u></b> |

**SCHOOL DISTRICT OF ELMBROOK**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2015

|  | Special Revenue Funds |                                 |                       | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|---------------------------------|-----------------------|--|
|  | Special<br>Revenue    | School<br>Nutrition<br>Services | Community<br>Services |  |
| <b>ASSETS</b>                              |                       |                                 |                       |  |
| Cash and investments                       | \$ 219,129            | \$ 361,080                      | \$ 116,751            | \$ 696,960                                 |
| Accounts receivable                        | -                     | 45,246                          | -                     | 45,246                                     |
| Inventory                                  | -                     | 1,118                           | -                     | 1,118                                      |
| <b>Total assets</b>                        | <b>\$ 219,129</b>     | <b>\$ 407,444</b>               | <b>\$ 116,751</b>     | <b>\$ 743,324</b>                          |
| <b>LIABILITIES</b>                         |                       |                                 |                       |  |
| Accounts payable                           | \$ -                  | \$ -                            | \$ 85                 | \$ 85                                      |
| Unearned revenue                           | -                     | 100,369                         | 7,000                 | 107,369                                    |
| Total liabilities                          | -                     | 100,369                         | 7,085                 | 107,454                                    |
| <b>FUND BALANCES</b>                       |                       |                                 |                       |  |
| Nonspendable                               | -                     | 1,118                           | -                     | 1,118                                      |
| Restricted                                 | 219,129               | 305,957                         | 109,666               | 634,752                                    |
| <b>Total liabilities and fund balances</b> | <b>\$ 219,129</b>     | <b>\$ 407,444</b>               | <b>\$ 116,751</b>     | <b>\$ 743,324</b>                          |

**SCHOOL DISTRICT OF ELMBROOK**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2015

|                                    | Special Revenue funds |                                 |                       | Total<br>Nonmajor<br>Governmental<br>Funds |
|------------------------------------|-----------------------|---------------------------------|-----------------------|--|
|                                    | Special<br>Revenue    | School<br>Nutrition<br>Services | Community<br>Services |  |
| <b>REVENUES</b>                    |                       |                                 |                       |  |
| Taxes                              | \$ -                  | \$ -                            | \$ 392,317            | \$ 392,317                                 |
| Local                              | 488,852               | 2,273,965                       | -                     | 2,762,817                                  |
| State                              | -                     | 28,115                          | -                     | 28,115                                     |
| Federal                            | -                     | 643,048                         | -                     | 643,048                                    |
| Other sources                      | 694                   | 3,500                           | -                     | 4,194                                      |
| Total revenues                     | <u>489,546</u>        | <u>2,948,628</u>                | <u>392,317</u>        | <u>3,830,491</u>                           |
| <b>EXPENDITURES</b>                |                       |                                 |                       |  |
| Instruction                        |                       |                                 |                       |  |
| Regular instruction                | 95,794                | -                               | 1,760                 | 97,554                                     |
| Vocational instruction             | 44,503                | -                               | -                     | 44,503                                     |
| Physical instruction               | 3,112                 | -                               | -                     | 3,112                                      |
| Other instruction                  | 156,567               | -                               | -                     | 156,567                                    |
| Total instruction                  | <u>299,976</u>        | <u>-</u>                        | <u>1,760</u>          | <u>301,736</u>                             |
| Support services                   |                       |                                 |                       |  |
| Pupil services                     | 4,293                 | -                               | -                     | 4,293                                      |
| Instructional staff services       | 48,918                | -                               | -                     | 48,918                                     |
| Building administrative services   | 15,565                | -                               | -                     | 15,565                                     |
| Business administrative services   | 7,112                 | 2,838,779                       | 355,311               | 3,201,202                                  |
| Insurance and judgments            | -                     | 31,486                          | -                     | 31,486                                     |
| Other support services             | -                     | 917                             | -                     | 917  |
| Total support services             | <u>75,888</u>         | <u>2,871,182</u>                | <u>355,311</u>        | <u>3,302,381</u>                           |
| Capital outlay                     | 93,485                | 6,228                           | -                     | 99,713                                     |
| Total expenditures                 | <u>469,349</u>        | <u>2,877,410</u>                | <u>357,071</u>        | <u>3,703,830</u>                           |
| <b>Net change in fund balances</b> | 20,197                | 71,218                          | 35,246                | 126,661                                    |
| Fund balances—beginning of year    | 198,932               | 235,857                         | 74,420                | 509,209                                    |
| <b>Fund balances—end of year</b>   | <u>\$ 219,129</u>     | <u>\$ 307,075</u>               | <u>\$ 109,666</u>     | <u>\$ 635,870</u>                          |

**SCHOOL DISTRICT OF ELMBROOK**  
 AGENCY FUND—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 Year Ended June 30, 2015

|                              | <u>Balance<br/>7/1/2014</u> | <u>Additions</u>    | <u>Deductions</u>    | <u>Balance<br/>6/30/2015</u> |
|------------------------------|-----------------------------|---------------------|----------------------|------------------------------|
| <b>ASSETS</b>                |                             |                     |                      |                              |
| Cash and Investments         | <u>\$ 430,684</u>           | <u>\$ 1,893,987</u> | <u>\$(1,932,244)</u> | <u>\$ 392,427</u>            |
| <b>LIABILITIES</b>           |                             |                     |                      |                              |
| Due to student organizations | <u>\$ 430,684</u>           | <u>\$ 1,893,987</u> | <u>\$(1,932,244)</u> | <u>\$ 392,427</u>            |

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND OTHER AUDITORS' REPORTS**

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2015

| Federal Grantor/<br>Pass-through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Accrued<br>Revenue at<br>7/1/2014 | Receipts            | Expenditures        | Accrued<br>Revenue at<br>6/30/15 |
|---|---------------------------|-----------------------------------|---------------------|---------------------|----------------------------------|
| <b>Department of Agriculture</b>                                      |                           |                                   |                     |                     |                                  |
| Pass-through programs from Wisconsin Department of Public Instruction |                           |                                   |                     |                     |                                  |
| Child Nutrition Cluster   |                           |                                   |                     |                     |                                  |
| School Breakfast Program  | 10.553                    | \$ 5,494                          | \$ 32,316           | \$ 26,822           | \$ -                             |
| National School Lunch Program - Food Donation                         | 10.555                    | -                                 | 195,111             | 195,111             | -                                |
| National School Lunch Program   | 10.555                    | 73,664                            | 493,859             | 420,195             | -                                |
| Total Child Nutrition Cluster   |                           | 79,158                            | 721,286             | 642,128             | -                                |
| Team Nutrition Grants   | 10.574                    | -                                 | 920                 | 920                 | -                                |
| <b>Total Department of Agriculture</b>                                |                           | 79,158                            | 722,206             | 643,048             | -                                |
| <b>Department of Education</b>  |                           |                                   |                     |                     |                                  |
| Pass-through programs from Wisconsin Department of Public Instruction |                           |                                   |                     |                     |                                  |
| Special Education Cluster (IDEA)                                      |                           |                                   |                     |                     |                                  |
| Special Education--Grants to States (IDEA, Part B)                    | 84.027                    | 381,159                           | 1,530,136           | 1,619,734           | 470,757                          |
| Special Education--Preschool Grants (IDEA Preschool)                  | 84.173                    | 28,218                            | 49,316              | 32,143              | 11,045                           |
| Total Special Education Cluster (IDEA)                                |                           | 409,377                           | 1,579,452           | 1,651,877           | 481,802                          |
| English Language Acquisition State Grants                             | 84.365                    | 10,787                            | 29,021              | 22,708              | 4,474                            |
| Improving Teacher Quality State Grants                                | 84.367                    | 39,214                            | 112,434             | 86,757              | 13,537                           |
| Title I Grants to Local Education Agencies                            | 84.010                    | 38,281                            | 194,633             | 190,540             | 34,188                           |
| Pass-through program from Milwaukee Public School District            |                           |                                   |                     |                     |                                  |
| Title I Grants to Local Education Agencies                            | 84.010                    | 20,760                            | 34,908              | 28,991              | 14,843                           |
| Total Title I Grants to Local Education Agencies                      |                           | 59,041                            | 229,541             | 219,531             | 49,031                           |
| <b>Total Department of Education</b>                                  |                           | 518,419                           | 1,950,448           | 1,980,873           | 548,844                          |
| <b>Department of Health and Human Services</b>                        |                           |                                   |                     |                     |                                  |
| Pass-through program from Wisconsin Medicaid and Badger Care Program  |                           |                                   |                     |                     |                                  |
| Medical Assistance Program  | 93.778                    | -                                 | 491,341             | 582,259             | 90,918                           |
| <b>Total Federal Programs</b>   |                           | <u>\$ 597,577</u>                 | <u>\$ 3,163,995</u> | <u>\$ 3,206,180</u> | <u>\$ 639,762</u>                |

See accompanying notes to schedule of expenditures of federal and state awards.

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2015

| State Grantor/<br>Program Title                         | State<br>Identifying<br>Number | Accrued<br>Revenue at<br>7/1/2014 | Receipts             | Expenditures         | Accrued<br>Revenue at<br>6/30/15 |
|---|--------------------------------|-----------------------------------|----------------------|----------------------|----------------------------------|
| <b>Wisconsin Department of Public Instruction</b>       |                                |                                   |                      |                      |                                  |
| Special Education and School Age Parents                | 255.101                        | \$ -                              | \$ 3,559,422         | \$ 3,559,422         | \$ -                             |
| State School Lunch Aid                                  | 255.102                        | -                                 | 25,817               | 25,817               | -                                |
| Common School Fund Library Aid                          | 255.103                        | -                                 | 319,584              | 319,584              | -                                |
| General Transportation Aid for Public School Pupils     | 255.107                        | -                                 | 155,850              | 155,850              | -                                |
| Equalization Aid  | 255.201                        | 48,225                            | 2,764,667            | 2,761,941            | 45,499                           |
| Integration Aid   | 255.204                        | -                                 | 2,054,360            | 2,054,360            | -                                |
| High Cost Special Education Aid                         | 255.210                        | -                                 | 88,326               | 88,326               | -                                |
| School Breakfast Program                                | 255.344                        | -                                 | 2,298                | 2,298                | -                                |
| Educator Effectiveness Grant                            | 255.940                        | -                                 | -                    | 44,080               | 44,080                           |
| Per Pupil Aid   | 255.945                        | -                                 | 968,550              | 968,550              | -                                |
| <b>Total Wisconsin Department of Public Instruction</b> |                                | 48,225                            | 9,938,874            | 9,980,228            | 89,579                           |
| <b>Wisconsin Department of Revenue</b>                  |                                |                                   |                      |                      |                                  |
| Exempt Computer Aid                                     |                                | 688,812                           | 688,812              | 654,099              | 654,099                          |
| <b>Total State Programs</b>                             |                                | <u>\$ 737,037</u>                 | <u>\$ 10,627,686</u> | <u>\$ 10,634,327</u> | <u>\$ 743,678</u>                |

See accompanying notes to schedule of expenditures of federal and state awards.

**SCHOOL DISTRICT OF ELMBROOK**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2015

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**NOTE 1—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the District under programs of the federal government and state agencies for the year ended June 30, 2015. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *State Single Audit Guidelines*. Because the schedule presents 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—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Costs Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Wisconsin Department of Public Instruction uses the federal CFDA numbers as the pass-through entity identifying numbers.

**NOTE 3—FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, there were no commodities in inventory at the District.

**NOTE 4—OVERSIGHT AGENCIES**

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

**NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION**

Eligible costs for special education under project 011 were \$13,590,068 for the year ended June 30, 2015.

**SCHOOL DISTRICT OF ELMBROOK**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2015

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2014-1    255.101 Special Education & School Age Parents

Condition: The Wisconsin Department of Public Instruction identified an employee with an expired license on the no valid worksheet.

Criteria: Salaries and benefits are only categorically aid eligible if the staff member is listed on the "Special Education Licensed Staff Report" or has the appropriate license for the assignment and grade level for the current year.

Cause: The District's processes did not properly identify that the individuals' licenses had expired.

Effect: The District will lose state categorical aid for improperly licensed individuals.

Recommendation: The District should implement procedures to ensure that all staff reported on the PI-1202 each year have an up to date license on file.

Views of Responsible Officials and Planned Corrective Actions: This matter has been addressed and all staff are up to date on their licensing.

Current Status: The District has put in place procedures to check licenses when special education teachers and assistants are hired. Also, a review is being performed twice a year to determine if there are any non-certified Special Education staff and communications are sent immediately to respective personnel to obtain certification. There were no findings in the current year.



INDEPENDENT AUDITOR'S 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  
School District of Elmbrook  
Brookfield, Wisconsin

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information School District of Elmbrook (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise School District of Elmbrook's basic financial statements, and have issued our report thereon dated October 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered School District of Elmbrook'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 School District of Elmbrook's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Elmbrook'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 entity'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 charge 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether School District of Elmbrook'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*.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Pewaukee Office:**  
W239 N3490 Pewaukee Road  
Suite 200  
Pewaukee, WI 53072  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
October 13, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES

To the Board of Education  
School District of Elmbrook  
Brookfield, Wisconsin

**Report on Compliance for Each Major Federal and Major State Program**

We have audited School District of Elmbrook's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of School District of Elmbrook's major federal and major state programs for the year ended June 30, 2015. School District of Elmbrook's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of School District of Elmbrook's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *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 major state program occurred. An audit includes examining, on a test basis, evidence about School District of Elmbrook'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 major state program. However, our audit does not provide a legal determination of School District of Elmbrook's compliance.

**Opinion on Each Major Federal and Major State Program**

In our opinion, School District of Elmbrook 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 major state programs for the year ended June 30, 2015.

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Janesville, WI 53545  
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123 Second Street  
P.O. Box 150  
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Suite 200  
Pewaukee, WI 53072  
P: (262) 522-7555  
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2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## Report on Internal Control Over Compliance

Management of School District of Elmbrook 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 School District of Elmbrook's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District of Elmbrook's internal control over compliance.

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

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

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

Wegner CPAs LLP

Wegner CPAs, LLP  
Madison, Wisconsin  
October 13, 2015

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

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**Section I—Summary of Auditor's Results**

Financial Statements

|   |               |
|---|---------------|
| Type of auditor's report issued:                      | Unmodified    |
| Internal control over financial reporting:            |               |
| Material weakness(es) identified?                     | No            |
| Significant deficiency(ies) identified?               | None reported |
| Noncompliance material to financial statements noted? | No            |

Federal Awards

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weakness(es) identified?  | No            |
| Significant deficiency(ies) identified?  | None reported |
| Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No            |

Identification of major programs:

| CFDA<br>Number(s)                           | Name of Federal Program or Cluster                    |
|---|---|
| 84.027, 84.173<br>10.553, 10.555,<br>10.574 | Special Education Cluster (IDEA)<br>Nutrition Cluster |

|  |            |
|--|------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| Auditee qualified as low-risk auditee?                                   | Yes        |

State Awards

|   |               |
|---|---------------|
| Internal control over major programs:                             |               |
| Material weakness(es) identified?                                 | No            |
| Significant deficiency(ies) identified?                           | None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified    |

**SCHOOL DISTRICT OF ELMBROOK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

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Any audit findings disclosed that are required to be reported? No

Identification of state major programs:

| State<br>Identifying<br>Number | Name of State Program                       |
|--------------------------------|---|
| 255.101                        | Special Education & School Age Parents      |
| 255.107                        | General Transportation Aid                  |
| 255.201                        | Equalization Aid and Special Adjustment Aid |

**Section II—Financial Statement Findings**

None

**Section III—Federal and State Award Findings and Questioned Costs**

None

**Section IV—Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

October 13, 2015