

SCHOOL DISTRICT OF THORP
THORP, WISCONSIN
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AS OF JUNE 30, 2015

SCHOOL DISTRICT OF THORP

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June 30, 2015

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SCHOOL DISTRICT OF THORP

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Independent Auditor's Report

To the Board of Education
School District of Thorp
Thorp, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Thorp ("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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparison for the general and special education funds 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 and budgetary comparison information as listed in the table of contents 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 District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedules 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 and individual nonmajor fund financial statements and the schedules 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 November 27, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Workshop SC

Accounting Workshop, SC
November 27, 2015

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

- The discussion and analysis of the Thorp School District financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net position increased by \$66,264. The assets of the school district exceeded liabilities at the close of the fiscal year by \$7.3M (net position). Of this amount, \$5.1M represents amounts invested in capital assets, net of related debt; \$117,674 is restricted for debt retirement and \$73,459 for the food service program. This results in net unrestricted net assets of \$2,095,018.
- The General Fund (Fund 10) fund balance increased by \$92,718. The original budget was adopted with revenues and expenses equal. Revenues and expenses both exceeded budgeted amounts.
- Financial activity resulted in a surplus of \$7,224 in the Food Service Fund (Fund 50). Operating expenses were \$329,994 and revenues were \$337,218. The ending fund balance increased to \$73,459.
- Capital assets have been reported at \$12.1M less depreciation of \$6.8M for a net capital asset value of \$5.3M. (See Note 3) The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$1,000. A physical inventory of the District's assets is taken annually and asset depreciation has been incorporated in the financial report.
- The District hired an actuary to update its postemployment benefit liability. The liability was calculated to be \$313,952 significantly less than the previous calculation and is funded on a pay-as-you-go basis. See note 16 for additional information.

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts – management's discussion and analysis and the basic financial statements (district-wide and fund statements) including notes to the financial statements.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The Statement of Net Position and Statement of Activities provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The Statement of Net Position compares assets to liabilities to give an overall view of the financial health of the District.
- The Statement of Activities defines the entity's expenses by function and illustrates the total that is offset by corresponding revenues – charges for services and/or operating grants and contributions. General Revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue – recognizing the Change in Net Position for the District from the previous year.
- The remaining statements: Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements and support the Statement of Net Position.
- The Notes to the Financial Statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.
- Required Supplementary Information further explain and supports the financial statements by including a comparison of the District's budget data for the year and includes all reports in the financial statements through and including the financial notes.
- Additional Supplemental Information provides information specific to non major governmental funds such as the Food Service Fund.
- The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table. (Table #1).

SCHOOL DISTRICT OF THORP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

Major Features of the District-wide and Fund Financial Statements

Table #1

-----Fund Financial Statements-----				
	District Wide Statements	Governmental	Proprietary	Fiduciary
Scope.	Entire district (except fiduciary funds).	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here. <u>The District's Employee Benefit Trust and Scholarship Fund are reported here.</u>
Required financial statements.	Statement of net position, and Statement of activities.	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net position, and Statement of revenues, expenses and changes in net position, and Statement of cash flows.	Statement of fiduciary net position, and Statement of changes in fiduciary net position.
Basis of accounting and measurement focus.	Accrual accounting Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information.	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All asset and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information.	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Table #2

<u>Condensed Statement of Net Position</u>				
	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>% Change</u>
<u>Assets</u>				
Current Assets	\$ 2,117,179	\$ 1,985,752	\$ 131,427	6.6
Capital Assets	5,282,091	5,409,157	(127,066)	(2.3)
Other Assets	580,466	924,802	(344,336)	(37.2)
Total Assets	<u>\$ 7,979,736</u>	<u>\$ 8,319,711</u>	<u>\$ (339,975)</u>	(4.1)
Deferred Outflows of Resources	<u>\$ 365,239</u>	<u>\$ -</u>	<u>\$ 365,239</u>	100.0
<u>Liabilities</u>				
Current Liabilities	\$ 169,282	\$ 168,259	\$ 1,023	0.6
Non-Current Liabilities	819,902	869,376	(49,474)	(5.7)
Total Liabilities	<u>\$ 989,184</u>	<u>\$ 1,037,635</u>	<u>\$ (48,451)</u>	(4.7)
Deferred Inflows of Resources	<u>\$ 7,451</u>	<u>\$ -</u>	<u>\$ 7,451</u>	100.0
<u>Net Position</u>				
Net Investment in Cap. Assets	\$ 5,062,189	\$ 5,139,475	\$ (77,286)	(1.5)
Restricted	191,133	185,163	5,970	3.2
Unrestricted	2,095,018	1,957,438	137,580	7.0
Total Net Position	<u>\$ 7,348,340</u>	<u>\$ 7,282,076</u>	<u>\$ 66,264</u>	0.9

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Table #3

<u>Changes in Net Position from Operating Results</u> <u>For Governmental Activities</u>					
	Actual		Actual		%
	2014-15	%	2013-14	%	Change
Revenues:					
Program					
Charges for Services	\$ 675,100	9.2	\$ 633,363	9.0	6.6
Operating Grants & Cont.	1,226,422	16.7	1,065,266	15.2	15.1
General					
Property & Other Taxes	1,769,758	24.1	1,721,465	24.5	2.8
General Fed & State Aid	3,641,915	49.5	3,531,484	50.3	3.1
Other	42,961	0.6	68,933	1.0	(37.7)
Total Revenue	<u>7,356,156</u>	100.0	<u>7,020,511</u>	100.0	4.8
Expenses:					
Instruction	4,297,629	59.0	4,198,179	59.2	2.4
Pupil & Instr. Ser.	412,161	5.7	379,964	5.4	8.5
Administration	637,283	8.7	591,478	8.3	7.7
Building and Grounds	523,922	7.2	507,093	7.1	3.3
Pupil Transportation	410,713	5.6	419,391	5.9	(2.1)
Other Support Services	626,725	8.6	609,144	8.6	2.9
Interest and Fees	51,465	0.7	53,697	0.8	(4.2)
Food Service	329,994	4.5	337,167	4.8	(2.1)
Total Expense	<u>7,289,892</u>	100.0	<u>7,096,113</u>	100.0	2.7
Change in Net Position	<u>\$ 66,264</u>		<u>\$ (75,602)</u>		187.6

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

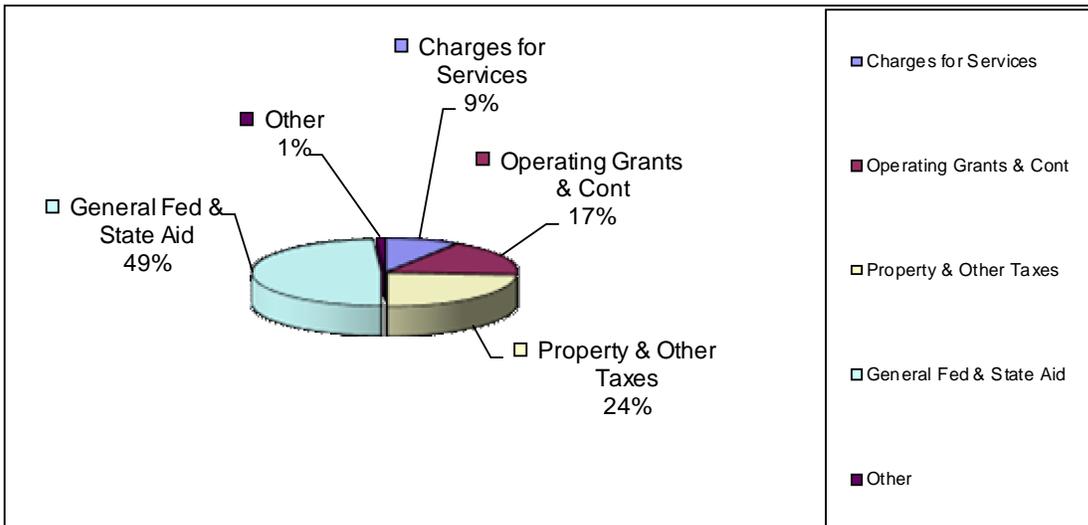
Revenue (Table #3)

- For the year, the District received \$7.4M in revenue. 24% of this total came from local school property tax, mobile home fees and prior year tax charge backs. 49.5% of the total came in the form of state and federal aid. The District receives approximately 25.9% of all revenue in the form of specific use state grants, federal aid and direct fees for services.
- Individuals who directly participated or benefited from a program offering contributed \$675,100 of the cost. Book and activity fees, admissions to athletic events, food service fees, open enrollment tuition and building rental fees are included here.
- In addition, Federal and State government subsidized certain programs with grants and contributions of \$1,226,422. Special education, transportation and food service aid are included here.

Chart #1 – Table #3

This chart illustrates the breakout of revenues by source.

Revenue by Source – FY 14-15



SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

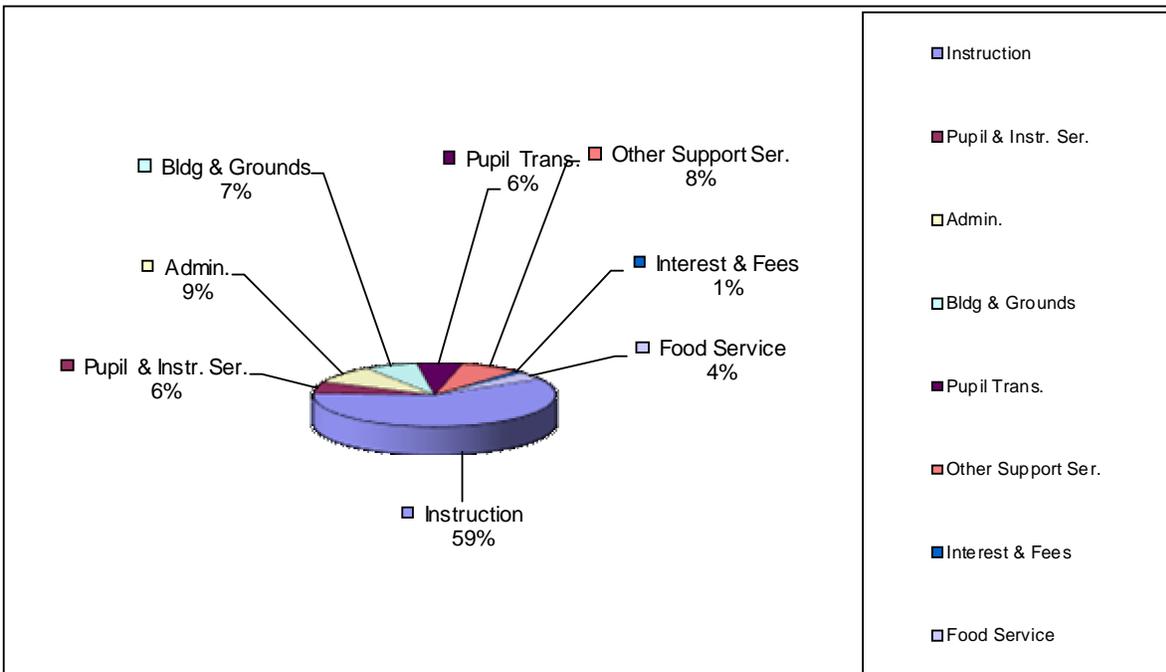
Expenses (Table #3)

- For the year the District's total expenditure amount was \$7.3M. 64.7% was directed to pupil instruction and instructional services. Costs for textbooks, teacher salaries/benefits and instructional supplies are included in this amount. General/Building Administration and Central Services account for 30.1%. These costs included student transportation, individual building budgets, district maintenance and school business insurance. The Food Service Program represents 4.5% and costs for debt service and leases represent approximately .7% of total expenditures.

Chart #2 – Table #3

This Chart illustrates the distribution of costs by function.

Expenses by Function – FY 14-15



SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Table #4

Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$4,297,629	\$4,198,179	\$2,807,598	\$2,927,327
Pupil & Instr. Services	412,161	379,964	361,307	337,713
General & Building Adm. Serv.	1,161,205	1,098,571	1,160,150	1,094,419
Business And Central Services	1,037,438	1,028,535	1,015,074	962,566
Food Service Program	329,994	337,167	(7,224)	21,762
Interest/fees, other	51,465	53,697	51,465	53,697
Total	<u>\$7,289,892</u>	<u>\$7,096,113</u>	<u>\$5,388,370</u>	<u>\$5,397,484</u>

- Total cost of all governmental activities was \$7.3M. (Table #4).
- The net cost of governmental activities (\$5.4M) was financed by general revenues, which are primarily made up of property taxes (\$1.8M) and general federal and state aid (\$3.6M). Miscellaneous and investment earnings accounted for \$42,961. In addition, District operations were subsidized by \$1.9M which was collected through direct fees and contributions/grants.

General Fund Budgetary Comparison: The District adopts an interim budget in June of the subsequent year. Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification. The District did not modify its original budget for the year.

Fund 10 budget was approved with revenues and expenses equally each other. The actual results for the year show a surplus of \$92,718. Revenues and expenditures were both over budget.

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Fund Balances:

- The District shows a total for all fund balances of \$2,045,438 as of year end. (See Note #8).
- \$1,854,305 is in the General Fund (Fund 10). The District utilizes this fund balance for funding short term operations. The Fund 10 fund balance is 27% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating and allows the District to respond to non-recurring economic needs.
- \$117,674 in the Debt Service Fund (Fund 30) is reserved to make future payments on long-term debt.
- \$73,459 in the Food Service Fund (Fund 50) is reserved for future operations.

Governmental Activities:

The stable District's financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing smaller capital improvement projects in all the buildings of the District. These funds have been expended from the General Fund and have been accommodated under the revenue cap. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure the physical plants in the District are kept in good condition and that costly major repairs may be averted through timely facility maintenance.

Capital Asset and Debt Administration:

Capital Assets

- In order to comply with GASB Statement #34, the District annually compiles a comprehensive inventory of all capital assets over \$1,000 and estimated related depreciation. A comparison between fiscal years with additions and disposals is stated. (See Note #3)

Long Term Debt

- At year-end, the District had \$901,236 in Long-Term Governmental Obligations. \$219,902 is existing debt related to building projects, representing a significant investment in the District's capital infrastructure. \$650,000 is the result of paying off the unfunded retirement liability. Also, the remaining \$31,334 is vested compensated absences and postemployment liabilities. (See Note 4).

General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for use for annual debt service payments. The District complies with all statutory requirements.

SCHOOL DISTRICT OF THORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Decisions and Developments that will Impact the Future of the District

- The State of Wisconsin has a history of budget deficits. Since the state budget currently funds a significant portion of the cost of K-12 education, local school districts, including Thorp, are concerned that the future funding level may be negatively impacted.
- Fuel prices have fluctuated dramatically in the United States. If this situation continues, utility and transportation costs of the District may exceed budget amounts.
- The State of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payment based on the number of students who transfer. The District has actively encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. This year the number of non-resident open enrollment pupils attending Thorp Schools exceeded the number of resident pupils attending other districts. It is important for the District to maintain a quality instructional program and attractive physical plant to maintain a competitive advantage for open enrollment pupils.
- One of the most important variables in the District's financial future is the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing annually. If these rate increases continue, the cost of health benefits will have an impact on the instructional services provided in the District. Based on current trends, officials expect an increase next year. Administration has been implementing various employee cost sharing measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge.
- Beginning in FY10, the District is recognizing a liability in the statement of net position for any post-employment benefits owed to District employees. The District has established a pension benefit trust and recalculated the amount of the liability as of July 1, 2013. The District is funding the liability on a pay-as-you-go basis and through the trust, see note 16.

Contacting the District's Financial Management

This Financial Report is designed to provide our citizens, taxpayers, 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, please contact Mr. James Montgomery, District Administrator, Thorp Schools, 605 Clark Street, Thorp, WI 54771.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF THORP
STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 1,175,665
Taxes receivable	535,655
Due from other governments	390,286
Prepaid expenses	15,573
Total Current Assets	<u>2,117,179</u>
 NONCURRENT ASSETS	
Capital assets	12,067,334
Less: Accumulated depreciation	<u>6,785,243</u>
Net Capital Assets	<u>5,282,091</u>
Net pension asset	<u>580,466</u>
Total Assets	<u>7,979,736</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows-pension	<u>365,239</u>
 LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	87,948
Current portion of long-term obligations	<u>81,334</u>
Total Current Liabilities	<u>169,282</u>
 NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	<u>819,902</u>
Total Liabilities	<u>989,184</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows-pension	<u>7,451</u>
 NET POSITION	
Net Investment in capital assets	5,062,189
Restricted	191,133
Unrestricted	<u>2,095,018</u>
Total Net Position	<u>\$ 7,348,340</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$3,124,093	\$ 472,377	\$ 559,530	\$ (2,092,186)
Vocational	267,996	588	14,329	(253,079)
Special education	612,900	39,279	366,929	(206,692)
Other	292,640	32,639	4,360	(255,641)
Total Instruction	<u>4,297,629</u>	<u>544,883</u>	<u>945,148</u>	<u>(2,807,598)</u>
Support Services				
Pupil services	223,400	-	-	(223,400)
Instructional support services	188,761	4,188	46,666	(137,907)
Administration	637,283	-	-	(637,283)
Buildings and grounds	523,922	1,055	-	(522,867)
Pupil transportation	410,713	-	21,732	(388,981)
Other support services	418,284	632	-	(417,652)
Interest and fees	51,465	-	-	(51,465)
Food service	329,994	124,342	212,876	7,224
Depreciation-unallocated	208,441	-	-	(208,441)
Total Support Services	<u>2,992,263</u>	<u>130,217</u>	<u>281,274</u>	<u>(2,580,772)</u>
Total Activities	<u>\$7,289,892</u>	<u>\$ 675,100</u>	<u>\$ 1,226,422</u>	<u>(5,388,370)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				1,623,948
Debt service				145,810
State and federal aids not restricted to specific functions:				
General				3,641,915
Investment Income				962
Loss on asset disposals				(7,722)
Miscellaneous				49,721
Total General Revenues				<u>5,454,634</u>
Change in Net Position				66,264
NET POSITION-BEGINNING OF YEAR				<u>7,282,076</u>
NET POSITION-END OF YEAR				<u>\$ 7,348,340</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 984,532	\$ 117,674	\$ 73,459	\$ 1,175,665
Taxes receivable	535,655	-	-	535,655
Due from other governments	390,286	-	-	390,286
Prepaid expenses	15,573	-	-	15,573
TOTAL ASSETS	<u>\$ 1,926,046</u>	<u>\$ 117,674</u>	<u>\$ 73,459</u>	<u>\$ 2,117,179</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll taxes and withholdings	\$ 71,741	\$ -	\$ -	\$ 71,741
Total Liabilities	<u>71,741</u>	<u>-</u>	<u>-</u>	<u>71,741</u>
Fund Balances				
Restricted	-	117,674	73,459	191,133
Assigned	1,854,305	-	-	1,854,305
Total Fund Balances	<u>1,854,305</u>	<u>117,674</u>	<u>73,459</u>	<u>2,045,438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,926,046</u>	<u>\$ 117,674</u>	<u>\$ 73,459</u>	
Amounts reported in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				5,282,091
Net pension asset is not available to retire current period expenditures and, therefore, is not reported in the fund financial statements.				580,466
Deferred outflows are not due and payable in the current period and, therefore, are not reported in the fund financial statements.				365,239
Deferred inflows are not financial resources and, therefore, are not reported in the fund financial statements.				(7,451)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:				
General obligation debt				(869,902)
Accrued interest on long-term debt				(16,207)
Vested compensated absences				(12,370)
Postemployment benefits				<u>(18,964)</u>
NET POSITION				<u>\$ 7,348,340</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local	\$1,689,352	\$145,849	\$ 124,342	\$ 1,959,543
Interdistrict	502,269	-	-	502,269
Intermediate	149,144	-	-	149,144
State	4,048,728	-	8,636	4,057,364
Federal	462,468	-	204,240	666,708
Other	28,850	-	-	28,850
Total Revenues	<u>6,880,811</u>	<u>145,849</u>	<u>337,218</u>	<u>7,363,878</u>
EXPENDITURES				
Instruction				
Regular	3,124,093	-	-	3,124,093
Special education	612,900	-	-	612,900
Vocational	277,860	-	-	277,860
Other	292,640	-	-	292,640
Total instruction	<u>4,307,493</u>	<u>-</u>	<u>-</u>	<u>4,307,493</u>
Support Services				
Pupil services	223,400	-	-	223,400
Instruction support services	188,761	-	-	188,761
Administration	637,283	-	-	637,283
Buildings and grounds	570,571	-	-	570,571
Pupil transportation	443,297	-	-	443,297
Other support services	416,788	-	-	416,788
Debt service				
Principal	-	94,780	-	94,780
Interest and fees	500	52,323	-	52,823
Food service	-	-	329,994	329,994
Total support services	<u>2,480,600</u>	<u>147,103</u>	<u>329,994</u>	<u>2,957,697</u>
Total Expenditures	<u>6,788,093</u>	<u>147,103</u>	<u>329,994</u>	<u>7,265,190</u>
Excess (deficiency) of revenues over expenditures	92,718	(1,254)	7,224	98,688
OTHER FINANCING SOURCES(USES)				
Proceeds of capital asset sales	-	-	-	-
Net Change in Fund Balances	92,718	(1,254)	7,224	98,688
FUND BALANCES-BEGINNING OF YEAR	<u>1,761,587</u>	<u>118,928</u>	<u>66,235</u>	<u>1,946,750</u>
FUND BALANCES-END OF YEAR	<u>\$1,854,305</u>	<u>\$117,674</u>	<u>\$ 73,459</u>	<u>\$ 2,045,438</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 98,688

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, if the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	89,097	
Depreciation expense reported in the statement of activities	(208,441)	
Book value of capital asset disposals	<u>(7,722)</u>	(127,066)

Change in net pension asset activity is only reported in the statement of activities 13,452

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. 94,780

Increase in postemployment benefit liability (18,964)

Decrease in vested employee benefits liability 4,016

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 governmental funds. 1,358

CHANGE IN NET POSITION \$ 66,264

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private Purpose Trust	Pension Trust	Agency
ASSETS			
Cash and investments	<u>\$244,229</u>	<u>\$ 52,477</u>	<u>\$ 63,138</u>
LIABILITIES			
Due to student groups	\$ -	\$ -	\$ 63,138
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,138</u>
NET POSITION	<u>\$244,229</u>	<u>\$ 52,477</u>	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	<u>Private Purpose Trust</u>	<u>Pension Trust</u>
ADDITIONS		
Contributions	\$ 7,990	\$ 12,600
Investment earnings (loss)	5,435	317
Other revenue	-	-
Total additions	13,425	12,917
DEDUCTIONS		
Benefits	16,600	350
Change in Net Position	(3,175)	12,567
NET POSITION-BEGINNING OF YEAR	247,404	39,910
NET POSITION-END OF YEAR	\$ 244,229	\$ 52,477

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
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June 30, 2015

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SCHOOL DISTRICT OF THORP
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SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Thorp ("the District") conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

The District is organized as a common school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of all or parts of ten taxing districts. 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. CHANGES IN ACCOUNTING METHODS AND BASIS OF FINANCIAL STATEMENT PRESENTATION

In June 1999 the *Governmental Accounting Standards Board* (GASB) issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). Statement No. 34 makes the most significant change in financial reporting in over twenty years. Subsequent to the issuance of GASB 34, GASB issued the following standards to be implemented at the same time GASB 34 is adopted; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis For State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6. Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The District has implemented this standard effective July 1, 2003 and accordingly has also implemented the provisions of GASB 37, GASB 38 and Interpretation No. 6.

Statement No. 34, among many other changes, adds two new "Government-Wide" (District-Wide) financial statements as basic financial statements required for all governmental units. The Statement of Net Position and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the District used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds are reported as governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non- major funds.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION

District-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

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 to functions in the Statement of Activities. Program revenues included 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitutes its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The special education fund has been combined with the general fund as the general fund is the primary source of financing for this fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are 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).

Permanent Funds

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

FIDUCIARY FUNDS (Not included in district-wide statements)

Private-Purpose Trust Funds

Private-Purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

Employee Benefit Trust Fund

Employee benefit fund is used to account for resources and payments of the District's post employment employee benefits held in a legally separate trust.

Agency Funds

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

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

Major Funds

The District reports the following major governmental funds:

General Fund
Debt Service Fund

Non-major Funds

The District reports the following non-major funds:

Special Revenue Funds –
Food Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

Private – Purpose Trust Funds –
Scholarship Fund

Employee Benefit Trust Fund –

Agency Funds –
Student Activity Fund

D. BASIS OF ACCOUNTING

The district-wide Statement of Net Position and Statement of Activities 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 when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for district purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2014 tax roll:

Lien date and levy date	October, 2014
Tax bills mailed	December, 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	April 1, 2015
Third installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax sale 2014 delinquent real estate taxes	October, 2018

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

For governmental fund financial statements, deferred resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred resources is removed from the combined balance sheet and revenue is recognized.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

E. MEASUREMENT FOCUS

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred resources or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. INVENTORIES

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

G. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest are reported as expenditures.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CAPITAL ASSETS

District-Wide Statements

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 2003, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the district- wide statements. Infrastructure assets may be accounted for prospectively from the date of implementation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Site improvements	10-20 years
- Buildings	50 years
- Building improvements	20 years
- Furniture and equipment	5-15 years
- Computer and related technology	5 years

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

I. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

J. BUDGETS

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure controls exercised at the function level in general fund and the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. BUDGETS (continued)

The District follows these procedures in establishing the budgetary data:

- a) Based upon requests from District staff, district administration recommends budget proposals to the Board of Education.
- b) The Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c) Pursuant to a public budget hearing, the Board may make alterations to the proposed budget.
- d) Once the Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire board
- e) Appropriations lapse at year-end unless authorized as a carryover by the Board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

The District's policy allows employees to earn varying amounts of sick pay and vacation pay for each year employed, accumulating to a maximum vested amount of 110 days. Upon retirement or termination of employment, the employee is entitled to \$20 for each day over 110 up to 50 days.

The District's policy allows non-teacher employees to earn varying amounts of vacation for each year employed. Upon retirement or termination of employment, the employee is entitled to a prorated vacation based on the last year of service.

The vacation pay liability is calculated based on the pay or salary rates in effect at year-end.

Under contractual retirement options, the District is liable for salary, social security, health and life insurance payments.

M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 6, the District provides an early retirement cash payment of \$250 per month to certified teaching personnel who opt for retirement at various ages as part of the negotiated certified teacher's contract. The District provides this benefit for up to eight years or until the teacher becomes eligible for Medicare, whichever occurs first. The teacher must be 55 years of age and have at least ten years of employment with the District to qualify. Spouses of participants who die can continue the benefit until the deceased retiree's benefits would have expired if still living. The District also provides a cash payout for some employment groups for unused sick leave over 110 days at \$20 per day up to 50 days or \$1,000.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. OTHER ASSETS

In governmental funds, debt issuance costs are recognized in the current period. For the district-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

O. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

P. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS (continued)

Fund Statements

Governmental fund equity is classified as fund balance.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are only available to service debt and food service resources are required by law to be used within that program.
- **Committed:** This classification includes amounts that can be used only for specified purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of year end.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to its representative. This classification includes the fund balance for the General Fund. The District has assigned funds for maintaining an adequate fund balance to minimize borrowing for short-term purposes.
- **Unassigned:** This classification includes any residual fund balance of the General Fund.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

R. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS

Total deposits and investments of the District consist of the following:

Deposits	\$ 245,566
Investments	<u>1,289,943</u>
 Total Deposits and Investments	 <u><u>\$ 1,535,509</u></u>
 Per statement of net position - deposits and investments	 \$ 1,175,665
Per statement of net position - fiduciary funds	<u>359,844</u>
 Total	 <u><u>\$ 1,535,509</u></u>

Deposits

At year end, the carrying amount of the District's deposits was \$245,566 and the bank balance was \$889,001. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, \$342,725 was covered by federal depository insurance and collateral and \$546,276 was uninsured and uncollateralized.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts.

Bank accounts 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 not be significant to individual municipalities. This coverage has not been considered in computing the amounts covered by insurance above.

Fluctuating cash flows during the year due to tax collections, receipts of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The policy requires deposits to be made only in banks with FDIC coverage. The board approves depositories annually and as changes occur based on a recommendation from management.

INVESTMENTS

Investment of District funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

INVESTMENTS (continued)

- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

INTEREST RATE RISKS

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment; the greater the sensitivity of its fair value to changes in market interest rates.

The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

	Remaining Maturity (In Months)	
	Amount	12 Months or Less
Local Government Investment Pool	\$ 1,089,235	\$ 1,089,235
Money Market Fund	217	217
Investment contracts with insurance companies	200,491	200,491
Totals	\$ 1,289,943	\$ 1,289,943

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the District's investments consisted of the following:

	Carrying Amount	Rating
WI Local Government Investment Pool	\$ 1,089,235	Not Rated
Money Market Fund	217	Not Rated
Investment contracts with insurance companies	200,491	A+

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balances	Additions	Deletions	Adjustments	Ending Balances
Capital assets not being depreciated					
Sites	\$ 1,125,000	\$ -	\$ -	\$ -	\$ 1,125,000
Total Capital Assets Not Being Depreciated	1,125,000	-	-	-	1,125,000
Capital assets being depreciated					
Site improvements	393,366	-	-	(14,268)	379,098
Buildings and improvements	8,657,576	42,498	(8,043)	(11,490)	8,680,541
Furniture and equipment	1,575,800	46,599	-	260,296	1,882,695
Total Capital Asset Being Depreciated	10,626,742	89,097	(8,043)	234,538	10,942,334
Less: Accumulated depreciation for					
Site improvements	(269,768)	(22,674)	-		(292,442)
Buildings and improvements	(5,339,560)	(111,617)	321		(5,450,856)
Furniture and equipment	(940,440)	(74,150)	-	(27,355)	(1,041,945)
Total Accumulated Depreciation	(6,549,768)	(208,441)	321	(27,355)	(6,785,243)
Net Capital Assets	<u>\$ 5,201,974</u>	<u>\$ (119,344)</u>	<u>\$ (7,722)</u>	<u>\$ 207,183</u>	<u>\$ 5,282,091</u>

Depreciation expense was not charged to any individual functions and is reported as unallocated.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – CAPITAL ASSETS (continued)

The fund and function detail of capital asset additions is as follows:

	General Fund
Instruction	
Vocational	\$ 9,864
Buildings and grounds	46,649
Transportation	32,584
	\$ 89,097

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term liability activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds, Notes and Loans Payable					
General obligation debt	\$ 964,682	\$ -	\$ 94,780	\$ 869,902	\$ 50,000
 Other Liabilities					
Accumulated sick leave	16,386	-	4,016	12,370	12,370
Stipend liability-retirees	-	29,639	25,486	4,153	4,153
Postemployment benefits	-	14,811	-	14,811	14,811
 Total Long-Term Liabilities	\$ 981,068	\$ 44,450	\$ 124,282	\$ 901,236	\$ 81,334

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

General Obligation Debt

All general obligation bonds, notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Ending Balance Outstanding</u>
General Obligation Debt:					
Refunding Bonds	6/15/2006	4/1/2026	5.75-6.15%	\$ 800,000	\$ 650,000
Notes	4/2/2008	8/31/2018	3.45%	490,000	<u>219,902</u>
Total General Obligation Debt					869,902
Other Long-Term Liabilities					
Employee vested benefits					12,370
Postemployment benefit liabilities					<u>18,964</u>
Total Governmental Activities Long-Term Obligations					<u>\$ 901,236</u>

Interest expense of \$51,465 was incurred and \$52,823 was paid for the year. Interest expense was not allocated to any other function.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 102,065	\$ 47,451	\$ 149,516
2017	103,871	42,770	146,641
2018	105,771	37,795	143,566
2019	113,195	32,822	146,017
2020	60,000	28,914	88,914
2021-2025	320,000	80,565	400,565
2026	<u>65,000</u>	<u>3,998</u>	<u>68,998</u>
Totals	<u>\$ 869,902</u>	<u>\$ 274,315</u>	<u>\$1,144,217</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed ten percent of the equalized value of taxable property within the District's jurisdiction. The debt limit at year-end was \$21,780,875. Total general obligation debt outstanding at year-end was \$869,902.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LEASE DISCLOSURES

LESSEE - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSEE - OPERATING LEASES

The District, as lessee, leases computer and printing equipment under two operating leases, with varying terms. Rent expense was \$74,784 for the year. The leases expire in the year ended June 2018. Minimum future annual rentals are as follows:

<u>Year Ended</u> <u>30-Jun</u>	<u>Amount</u>
2016	\$ 74,784
2017	22,349
2018	11,862
Total	<u><u>\$108,995</u></u>

LESSOR - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSOR - OPERATING LEASES

The District does not receive material lease payments from property rented to others.

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM

All eligible (District) employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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 the WRS. 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 of 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. Note: employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.80%	6.80%
Executives & Elected Officials	7.70%	7.70%
Protective with Social Security	6.80%	9.50%
Protective without Social Security	6.80%	13.10%

The payroll for District employees covered by the WRS for the year ended June 30, 2015 was \$3,351,493; the employer’s total payroll was \$3,557,327. The total required contribution for the year ended June 30, 2015 was \$461,237, which consisted of \$230,628 from the employer and \$230,609 from employees. Total contributions for the years ending June 30, 2014 and 2013 were \$442,638 and \$408,600, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earning is the average of the employee’s three highest years’ earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on after January 1 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, PO Box 7931, Madison, WI 53707-7931.

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

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 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) on the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

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

At June 30, 2015, the District reported a liability (asset) of (\$580,466) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability (asset) was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District’s proportion was 0.02363199%, which was an increase of 0.00017472% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$230,628.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 84,149	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	281,090	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,451
Employer contributions subsequent to the measurement date	-	-
Total	\$ 365,239	\$ 7,451

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions(continued)

\$136,279 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 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:

<u>Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 71,841	\$ 1,383
2017	71,841	1,383
2018	71,841	1,383
2019	71,841	1,383
2020	71,841	1,383
Thereafter	6,034	534

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 Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Asset:	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 District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
District’s proportionate share of the net pension liability (asset)	\$1,637,595	(\$580,466)	(\$2,332,202)

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

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.

NOTE 7 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government Wide Statement of Net Assets at year-end include the following:

Governmental Activities

Net investment in capital assets	\$	5,282,091
Less: related long-term debt outstanding		(219,902)
Net Invested in Capital Assets		5,062,189
Restricted		
Debt service		117,674
Food service		73,459
Total Restricted		191,133
Unrestricted		2,095,018
Total Governmental Activities Net Position	\$	7,348,340

Beginning net position increased from \$6,150,091 to \$7,282,076 due to an adjustment to the capital asset inventory of \$207,183 and the recording of the net pension asset of \$924,802 as of that date.

NOTE 8 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at year-end include the following:

Restricted		
Major Funds		
Debt Service fund	\$	117,674
Nonmajor Funds		
Food Service fund		73,459
		191,133
Assigned		
Major Funds		
General Fund-working capital purposes		1,854,305
		1,854,305
Total Governmental Fund Balances	\$	2,045,438

An interfund transfer of \$351,521 was made from the general fund to the special education fund for operating purposes.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	\$ <u>5,282,091</u>
-------------------------------------------------	---------------------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Bonds, notes, loans and leases payable	\$ 869,902
Accrued interest	16,207
Compensated absences liability	12,370
Postemployment liabilities	<u>18,964</u>
 Combined Adjustment	 \$ <u>917,443</u>

NOTE 10 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Accrued interest	
Beginning	\$ 17,565
Ending	<u>(16,207)</u>
 Decrease	 \$ <u>1,358</u>

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Instruction-vocational curriculum	\$ 20,001
Instruction-other curriculum	13,927
Instructional Support Services	14,837
Administration	14,098
Buildings and Grounds	418
Pupil Transportation	34,108
Other Support Services	91,291
Interest and Fees	100
General Tuition Payments	21,886
Special Education Fund:	
Instructional Support Services	25,259
Other Support Services	10,903

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. 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 no significant reductions in coverage compared to the prior year.

NOTE 13 – 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 or results of operations.

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.

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 – 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 15 – DUE FROM/DUE TO OTHER FUNDS - FUND FINANCIAL STATEMENTS

There were no interfund receivable and payable balances at year end.

NOTE 16 - POST EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post employment health benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 prospectively during the year ended June 30, 2010, the District recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

In addition to pension benefits described in note 6, the District provides payment of \$250 monthly to eligible retired employees up to eight years from the date of retirement or eligibility for Medicare, whichever comes first. These benefits are available to employees at the age of 55 with a minimum of ten years of service and subject to the terms of the policy at the time of retirement. The District is obligated for these benefits under District policy. This benefit will commence on the first day of the month following that of actual retirement. The plan has ten retirees receiving benefits and a total of 71 active participants, of which 71 are not yet eligible to receive benefits.

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the District's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16 - POST EMPLOYMENT BENEFITS (continued)

In the latest actuarial valuation for the Plan as of July 1, 2013, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the District's own investments. The valuation included a 3% inflation assumption. The actuarial value of assets will be determined using fair value. The UAAL will be amortized using the level per cent method over an open amortization period. The remaining amortization period is 30 years.

The unfunded actuarial accrued liability as of July 1, 2013, the valuation date, was \$150,745.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year, were as follows:

Normal cost	\$	7,934
Interest to end of year		-
30 year amortization of unfunded accrued liability		6,877
Annual required contribution		14,811
Contributions made		-
Increase in OPEB liability		14,811
Net OPEB liability - beginning of year		-
Net OPEB liability - end of year	\$	14,811

The District's plan is a defined contribution plan and the District utilizes the pay-as-you-go method.

Trend Information

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

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2015	\$ 14,811	\$ 14,811	\$ -	0.0%	\$ 14,811

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered 0 (c)	UAAL as a Percent of covered Payroll (b-a/c)
7/1/2013	\$ -	\$ 150,745	\$ 150,745	0.0%	\$ 2,711,814	5.6%

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 17 – SINGLE-EMPLOYER PENSION PLAN

The District administers a single-employer defined contribution pension plan (“the plan”). The plan provides monthly post-retirement cash payouts (stipends) to plan members. The plan does not issue a publicly available financial report.

The contribution requirements of plan members and the District are established and may be amended by the District. Plan members do not contribute to the plan.

The District’s annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 29,639
Interest on net pension asset	-
Adjustment to annual required contribution	-
	-
Annual pension cost	29,639
Contributions made	25,486
Change in net pension liability	4,153
Net Pension Liability - Beginning of Year	-
	-
Net Pension Liability - End of Year	\$ 4,153

The District’s annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for June 30, 2015, which is the first year the actuary study was available, is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Liability
June 30, 2015	\$ 29,639	\$ 25,486	\$ 4,153

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 302,514
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 302,514
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	\$2,711,814
UAAL as a percentage of covered payroll	11.2%

SCHOOL DISTRICT OF THORP
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 17 – SINGLE-EMPLOYER PENSION PLAN (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the July 1, 2013 actuarial valuation, projected unit credit actuarial cost method was used. The actuarial assumptions include a 5 percent investment rate of return, which includes a 3 percent inflation assumption. Stipend payments are projected to increase a rate of 3 percent. The unfunded actuarial accrued liability is being amortized on the open level dollar basis. The amortization period is 30 years.

There were 71 active employees in plan and 9 retirees receiving benefits at July 1, 2013.

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 27, 2015, the date the financial statements were available to be issued.

SCHOOL DISTRICT OF THORP
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2015

SCHOOL DISTRICT OF THORP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 1,656,056	\$ 1,656,056	\$ 1,689,352	\$ 33,296
Interdistrict	384,166	384,166	462,990	78,824
Intermediate	100,219	100,219	104,829	4,610
State	3,884,285	3,884,285	3,904,426	20,141
Federal	236,274	236,274	284,156	47,882
Other	29,000	29,000	28,850	(150)
Total Revenues	<u>6,290,000</u>	<u>6,290,000</u>	<u>6,474,603</u>	<u>184,603</u>
EXPENDITURES				
Instruction				
Regular	2,916,543	2,916,543	2,879,365	37,178
Vocational	257,859	257,859	277,860	(20,001)
Other	278,713	278,713	292,640	(13,927)
Total instruction	<u>3,453,115</u>	<u>3,453,115</u>	<u>3,449,865</u>	<u>3,250</u>
Support Services				
Pupil services	152,513	152,513	149,633	2,880
Instructional support services	114,665	114,665	129,502	(14,837)
Administration	623,185	623,185	637,283	(14,098)
Buildings and grounds	570,153	570,153	570,571	(418)
Pupil transportation	408,289	408,289	442,397	(34,108)
Other support services	314,594	314,594	405,885	(91,291)
Debt service				
Principal	-	-	-	-
Interest and fees	400	400	500	(100)
Total support services	<u>2,183,799</u>	<u>2,183,799</u>	<u>2,335,771</u>	<u>(151,972)</u>
Non-program				
General tuition payments	222,842	222,842	244,728	(21,886)
Other non-program	-	-	-	-
Total non-program	<u>222,842</u>	<u>222,842</u>	<u>244,728</u>	<u>(21,886)</u>
Total Expenditures	<u>5,859,756</u>	<u>5,859,756</u>	<u>6,030,364</u>	<u>(170,608)</u>
Excess of revenues over expenditures	430,244	430,244	444,239	13,995
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Operating transfers out	(430,244)	(430,244)	(351,521)	78,723
Net Change in Fund Balance	-	-	92,718	92,718
FUND BALANCES-BEGINNING OF YEAR	<u>1,761,587</u>	<u>1,761,587</u>	<u>1,761,587</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 1,761,587</u>	<u>\$ 1,761,587</u>	<u>\$ 1,854,305</u>	<u>\$ 92,718</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interdistrict	\$ 70,300	\$ 70,300	\$ 39,279	\$ (31,021)
Intermediate	161,200	161,200	44,315	(116,885)
State	144,300	144,300	144,302	2
Federal	13,000	13,000	178,312	165,312
Total Revenues	<u>388,800</u>	<u>388,800</u>	<u>406,208</u>	<u>17,408</u>
EXPENDITURES				
Instruction				
Special education	620,854	620,854	612,900	7,954
Total instruction	<u>620,854</u>	<u>620,854</u>	<u>612,900</u>	<u>7,954</u>
Support Services				
Pupil services	77,122	77,122	73,767	3,355
Instructional support services	34,000	34,000	59,259	(25,259)
Pupil transportation	1,000	1,000	900	100
Other support services	-	-	10,903	(10,903)
Total support services	<u>112,122</u>	<u>112,122</u>	<u>144,829</u>	<u>(32,707)</u>
Non-program				
Other non-program	-	-	-	-
Total Expenditures	<u>732,976</u>	<u>732,976</u>	<u>757,729</u>	<u>(24,753)</u>
Excess (deficiency) of revenues over expenditures	(344,176)	(344,176)	(351,521)	(7,345)
OTHER FINANCING SOURCES				
Transfer from general fund	344,176	344,176	351,521	7,345
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP
SCHEDULE OF FUNDING PROGRESS
PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFIT PLAN
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ([b-a]/c)
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Single-Employer Pension Plan

7/1/2013	\$ -	\$ 302,514	\$ 302,514	-	\$ 2,711,814	11.2%
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Actuary study was first available for the 2015 year.

Post-Employment Benefit Plan

7/1/2013	\$ -	\$ 150,745	\$ 150,745	-	\$ 2,711,814	5.6%
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Actuary study was first available for the 2015 year.

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFIT PLAN
For the Year Ended June 30, 2015

Single-Employer Pension Plan

<u>Year Ended</u> <u>June 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Contribution</u> <u>(ARC)</u>	<u>Percentage</u> <u>Contributed</u>
2015	\$ 25,486	\$ 29,639	86.0%

Actuary study was first available for the 2015 year.

Post-Employer Pension Plan

<u>Year Ended</u> <u>June 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Contribution</u> <u>(ARC)</u>	<u>Percentage</u> <u>Contributed</u>
2015	\$ -	\$ 14,811	0.0%

Actuary study was first available for the 2015 year.

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
For the Year Ended June 30, 2015

WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS *

		2015
District's proportion of the net pension liability (asset)	\$	(580,466)
District's proportionate share of the net pension liability (asset)		0.02363199%
District's covered-employee payroll	\$	3,266,284
Plan fiduciary net position as a percentage of the total pension liability (asset)		102.74%

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

Only calendar year 2014 was available. The District will continue to present information for years available until a full ten-year trend is compiled.

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2015

WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS *

Contractually required contributions	\$228,640
Contributions in relation to the contractually required contributions	\$228,640
Contribution deficiency (excess)	-
District's covered-employee payroll	\$3,266,284
Contributions as a percentage of covered-employee payroll	7%

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

Only calendar year 2014 was available. The District will continue to present information for years available until a full ten-year trend is compiled.

See notes to the required supplementary information.

SCHOOL DISTRICT OF THORP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

NOTE A – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension" for the fiscal year ended June 30, 2010. Information for prior years is not available.

NOTE B – SCHEDULE OF FUNDING PROGRESS

The July 1, 2013 actuary study is the only study presented as the previous actuary studies were completed incorrectly.

NOTE C – BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the fund or function level depending upon the fund. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows the budget procedures at note 1J.

NOTE D – BUDGETARY INFORMATION

The District adopts a separate budget for the special education special revenue fund. A reconciliation of the Revenues, Expenditures, and Other Financing Sources (Uses) per the budget to actual individual fund statements to the combined general fund/special education fund statement follows:

SCHOOL DISTRICT OF THORP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

NOTE D – BUDGETARY INFORMATION (continued)

	<u>General Fund</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary statements)	\$ 6,474,603	\$ 406,208
Reclassification of special education	406,208	(406,208)
Total Revenues	<u>6,880,811</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary statements)	6,030,364	757,729
Reclassification of special education	757,729	(757,729)
Total Expenditures	<u>6,788,093</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary statements)	444,239	(351,521)
Reclassification of special education	(351,521)	351,521
Excess of Revenues Over (Under) Expenditures	<u>92,718</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary statements)	(351,521)	351,521
Reclassification of special education	351,521	(351,521)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (combined statement)	92,718	-
Fund Balance - beginning		
Actual amounts (combined statement)	<u>1,761,587</u>	<u>-</u>
Fund Balance - ending		
Actual amounts (combined statement)	<u>\$ 1,854,305</u>	<u>\$ -</u>

NOTE E – WISCONSIN RETIREMENT SYSTEM

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.

SCHOOL DISTRICT OF THORP
SUPPLEMENTARY INFORMATION
JUNE 30, 2015

SCHOOL DISTRICT OF THORP

**COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2015**

	General Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$1,093,488	\$(108,956)	\$ 984,532
Taxes receivable	535,655	-	535,655
Due from other governments	281,330	108,956	390,286
Prepaid expenses	15,573	-	15,573
TOTAL ASSETS	<u>\$1,926,046</u>	<u>\$ -</u>	<u>\$ 1,926,046</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll, payroll taxes, withholdings	71,741	-	71,741
Total Liabilities	<u>71,741</u>	<u>-</u>	<u>71,741</u>
Fund Balances			
Assigned	1,854,305	-	1,854,305
Total Fund Balances	<u>1,854,305</u>	<u>-</u>	<u>1,854,305</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,926,046</u>	<u>\$ -</u>	<u>\$ 1,926,046</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GENERAL FUND**

For the Year Ended June 30, 2015

	General Fund	Special Education Fund	Total General Fund
REVENUES			
Local sources	\$ 1,689,352	\$ -	\$ 1,689,352
Interdistrict sources	462,990	39,279	502,269
Intermediate sources	104,829	44,315	149,144
State sources	3,904,426	144,302	4,048,728
Federal sources	284,156	178,312	462,468
Other sources	28,850	-	28,850
Total Revenues	<u>6,474,603</u>	<u>406,208</u>	<u>6,880,811</u>
EXPENDITURES			
Instruction			
Regular	3,124,093	-	3,124,093
Special education	-	612,900	612,900
Vocational	277,860	-	277,860
Other instruction	292,640	-	292,640
Total instruction	<u>3,694,593</u>	<u>612,900</u>	<u>4,307,493</u>
Support Services			
Pupil services	149,633	73,767	223,400
Instruction support services	129,502	59,259	188,761
Administration	637,283	-	637,283
Buildings and grounds	570,571	-	570,571
Pupil transportation	442,397	900	443,297
Other support services	405,885	10,903	416,788
Debt service			
Interest and fees	500	-	500
Total support services	<u>2,335,771</u>	<u>144,829</u>	<u>2,480,600</u>
Total Expenditures	<u>6,030,364</u>	<u>757,729</u>	<u>6,788,093</u>
Excess (deficiency) of revenues over expenditures	444,239	(351,521)	92,718
OTHER FINANCING SOURCES (USES)			
Operating transfers in(out)	<u>(351,521)</u>	<u>351,521</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	92,718	-	92,718
FUND BALANCES-BEGINNING OF YEAR	<u>1,761,587</u>	<u>-</u>	<u>1,761,587</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 1,854,305</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,854,305</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>Special Rev Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	
ASSETS		
Cash and investments	\$ 73,459	\$ 73,459
Due from other governments	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 73,459</u>	<u>\$ 73,459</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	\$ -
Payroll taxes and withholdings	-	-
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances		
Restricted	<u>73,459</u>	<u>73,459</u>
Total Fund Balances	<u>73,459</u>	<u>73,459</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 73,459</u>	<u>\$ 73,459</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	Special Rev Funds Food Service	Total Nonmajor Governmental Funds
REVENUES		
Local	\$ 124,342	\$ 124,342
State	8,636	8,636
Federal	204,240	204,240
Total Revenues	337,218	337,218
EXPENDITURES		
Food service	329,994	329,994
Total Expenditures	329,994	329,994
Excess (deficiency) of revenues over expenditures	7,224	7,224
OTHER FINANCING SOURCES		
Transfers in (out)	-	-
Net Change in Fund Balance	7,224	7,224
FUND BALANCES (DEFICIT)-BEGINNING OF YEAR	66,235	66,235
FUND BALANCES-END OF YEAR	\$ 73,459	\$ 73,459

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS**

June 30, 2015

	Referendum Debt	Nonreferendum Debt	Total
ASSETS			
Cash	\$ 98,124	\$ 19,550	\$ 117,674
Total Assets	\$ 98,124	\$ 19,550	\$ 117,674
 LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
 Fund Balances			
Restricted	98,124	19,550	117,674
Total Fund Balances	98,124	19,550	117,674
Total Liabilities and Fund Balances	\$ 98,124	\$ 19,550	\$ 117,674

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
DEBT SERVICE FUNDS**

For the Year Ended June 30, 2015

	Referendum Debt	Nonreferendum Debt	Total
REVENUES			
Local sources	\$ 59,780	\$ 86,069	\$ 145,849
EXPENDITURES			
Principal	49,780	45,000	94,780
Interest and fees	9,961	42,362	52,323
Total Expenditures	59,741	87,362	147,103
Excess of Revenue Over (Under) Expenditures	39	(1,293)	(1,254)
OTHER FINANCING SOURCES (USES)			
Operating transfer in (out)	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	39	(1,293)	(1,254)
Fund Balances, Beginning of Year	98,085	20,843	118,928
FUND BALANCES, END OF YEAR	\$ 98,124	\$ 19,550	\$ 117,674

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2015

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Assets - Cash and investments	<u>\$ 56,597</u>	<u>\$ 214,410</u>	<u>\$ 207,869</u>	<u>\$ 63,138</u>
Liabilities - Due to student organizations	<u>\$ 56,597</u>	<u>\$ 214,410</u>	<u>\$ 207,869</u>	<u>\$ 63,138</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF THORP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Agency/ Pass-Through Agency/ Program Title	CFDA Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received	Accrued (Deferred) Ending Balance		
U.S. DEPARTMENT OF EDUCATION						
State of Wisconsin-Department of Public Instruction						
Title I	84.010	\$ -	\$ 112,339	\$ 171,817	\$ 284,156	\$ 284,156
IDEA Flow Thru	84.027	(29,453)	141,035	61,322	172,904	172,904
IDEA Preschool	84.173	(470)	908	4,970	5,408	5,408
CESA 10						
Carl Perkins	84.048	-	-	14,328	14,328	14,328
Title II-A	84.367	(4,259)	51,370	4,536	51,647	51,647
Medical Assistance	93.778	(35,346)	37,819	53,441	55,914	55,914
Title III-A	84.365	-	229	608	837	837
U.S. DEPARTMENT OF AGRICULTURE						
State of Wisconsin-Department of Public Instruction						
Food Distribution - Commodities	10.550	-	23,721	-	23,721	23,721
National School Breakfast Program	10.553	(592)	44,635	703	44,746	44,746
National School Lunch Program	10.555	(1,545)	127,277	2,128	127,860	127,860
Summer Food Service Program	10.559	(3,940)	11,854	-	7,914	7,914
TOTAL FEDERAL AWARDS		\$ (75,605)	\$ 551,187	\$ 313,853	\$ 789,435	\$ 789,435

See notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2015

State Agency/ Pass-Through Agency/ Program Title	State ID Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received (Returned)	Accrued (Deferred) Ending Balance		
DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Handicapped Pupils and School Age Parents	255.101	\$ -	\$ 144,302	\$ -	\$ 144,302	\$ 144,302
Participant in Package Program At CESA #10		-	17,178	-	17,178	17,178
Total Handicapped Program		-	161,480	-	161,480	161,480
School Lunch Aid Program	255.102	-	3,587	-	3,587	3,587
Common School Fund Library Aid	255.103	-	34,928	-	34,928	34,928
General Equalization	255.201	(59,283)	3,370,178	59,159	3,370,054	3,370,054
Pupil Transportation	255.107	-	21,732	-	21,732	21,732
WI Morning Milk Program	255.109	-	1,665	-	1,665	1,665
Per Pupil Aid	255.945	-	82,950	-	82,950	82,950
Sparsity Aid	255.212	-	132,715	-	132,715	132,715
Career & Tech Ed Incentive Grant	255.950	-	5,000	-	5,000	5,000
School Breakfast Program	255.344	-	3,384	-	3,384	3,384
Educator Effective Eval Sys Grant	255.940	-	4,320	-	4,320	4,320
High Cost Transportation	255.947	-	22,103	-	22,103	22,103
SAGE	255.504	-	194,531	-	194,531	194,531
High Poverty Aid	255.926	-	31,989	-	31,989	31,989
WI Partnership Childhhod Fitness	255.938	-	1,000	-	1,000	1,000
Computer Aid		(2,341)	2,341	2,104	2,104	2,104
Total Wisconsin Department of Public Instruction		(61,624)	4,073,903	61,263	4,073,542	4,073,542
TOTAL STATE AWARDS		\$ (61,624)	\$ 4,073,903	\$ 61,263	\$4,073,542	\$ 4,073,542

See notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP

**NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
June 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2014-2015 eligible costs under the state special education program are \$496,091.

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

ACCOUNTING WORKSHOP, SC
CERTIFIED PUBLIC ACCOUNTANTS
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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

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

Board of Education
School District of Thorp
Thorp, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 and have issued our report thereon dated November 27, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 15-1 and 15-2 that we consider to be significant deficiencies.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Accounting Workshop SC

Accounting Workshop, SC
November 27, 2015

Independent Auditor's Report on Compliance With Requirements That
Could Have A Direct And Material Effect On Each Major Federal and
State Program and On Internal Control Over Compliance Required
By OMB Circular A-133 And State Single Audit Guidelines

Board of Education
School District of Thorp
Thorp, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited the compliance of the School District of Thorp ("District") with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended June 30, 2015. The District's major federal and 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 15-1 and 15-2 to be significant deficiencies.

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

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

Accounting Workshop SC

Accounting Workshop, SC
November 27, 2015

SCHOOL DISTRICT OF THORP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financing reporting: Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified considered to be material weaknesses?	_____ yes	_____ <u>X</u> no
Noncompliance material to the financial statements?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over financial reporting: Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified considered to be material weaknesses?	_____ yes	_____ <u>X</u> no
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	_____ yes	_____ <u>X</u> no

Identification of major federal programs

_____ CFDA Number _____	_____ Name of Federal Program or Cluster _____
84.010	Title 1

Dollar threshold used to distinguish Type A and Type B Programs	\$ 300,000	
Auditee qualified as a low risk auditee?	_____ <u>X</u> yes	_____ no

SCHOOL DISTRICT OF THORP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II - Financial Statement Findings (continued)

15-2 Preparation of Financial Statements

Condition: The audit organization prepared the financial statements and notes to financial statements.

Criteria: Professional standards prohibit the audit organization from preparation of financial statements and notes without implementing safeguards.

Cause: Management and the accounting staff have adequate knowledge of governmental accounting and interim reporting, however, they lack the knowledge to prepare GAAP financial statements and note disclosures.

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

Recommendation: We recommend management continue using external sources for preparation of the financial statements and note disclosures as qualified district personnel are unavailable.

Response: The District intends to continue using external sources for financial statement and note disclosure preparation. Management reviews, approves and accepts responsibility for the financial statements and notes prior to their release to the public.

Section III - Federal and State Award Findings and Questioned Costs

See item 15-1 under financial statement findings.

SCHOOL DISTRICT OF THORP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2015

DEPARTMENT OF EDUCATION

Finding 14-1: Segregation of Accounting Duties

Condition: The District's bookkeeper performs most accounting functions in the receipt and billing, accounts payable disbursement and payroll processing transaction cycles and maintains the general ledger.

Recommendation: Monthly financial activity such as journal entries, detail of significant asset and liability balances, bank statements and monthly activity should be reviewed by another member of management for reasonableness.

Current Status: The Board of Education continues to review selected financial information on a monthly basis.