

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2016

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Independent Auditor's Report

To the Board of Education
School District of Fort Atkinson
Fort Atkinson, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Fort Atkinson (District) as of and for the year ended June 30, 2016, 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 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of proportionate share of net pension liability, schedule of employer contributions, and notes to required supplementary information on pages 4-12 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Fort Atkinson's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2016 on our consideration of the School District of Fort Atkinson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of Fort Atkinson's internal control over financial reporting and compliance.

Wegner CPAs LLP
Wegner CPAs, LLP
Madison, Wisconsin
December 10, 2016

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The discussion and analysis of the financial performance of the School District of Fort Atkinson (District) provides an overview of financial activities for the fiscal year ended June 30, 2016. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Fiscal 2016 was the second year of a three-year operational referendum approved by District electors in April, 2014. This referendum grants authority to the District to exceed the state imposed revenue limits by \$1.75 million in each of the three years for operating purposes. This referendum will expire in June, 2017. As a result, in November 2016 the District sought and successfully passed a successor referendum which includes the current \$1.75 million on a recurring (ongoing) basis, as well as an additional \$2.25 million each year for three years (2017 – 2020).

As part of the current three-year referendum (2014-17), it was planned that fiscal 2016 would be close to a "break even" year after accumulating a large surplus in the first year to offset a projected deficit in the third year. This came to fruition as the District budgeted a very small surplus in fiscal 2016 and ended up within 1% of budget as of fiscal year-end.

Also in fiscal 2016 the District began the implementation of a new market based compensation system. This new system is comprehensive in nature as it addresses all employees within the District and was developed to be funded through available budget dollars as opposed to driving the budget itself. The first steps in implementation were to establish a "market value" for every position in the District through a market analysis that utilizes a median value to define market value. All employees below their median market value were then moved to their respective median market value for fiscal 2017 along with certain longevity incentives for service to the District. During fiscal 2017 this compensation model will be further expanded and will continue to be adjusted moving forward to adapt to the changing environment surrounding public education in Wisconsin.

Finally, in fiscal 2016 the District began to embark on a new way of budgeting its limited resources to provide for the greatest educational impact with every budget dollar by adopting the Smarter School Spending budget model. Smarter School Spending is a budget model and process that provides for better planning and decision making by creating a true partnership between academic staff and finance staff in the District. The philosophy behind it is to evaluate the effectiveness of the programs in the District and shift resources to the academic areas that will provide the largest Academic Return on Investment (AROI). More information on this budget model can be found at <http://www.smarterschoolspending.org/>

The District is in the early stages of implementation of the model. In the fall of 2015 the School District of Fort Atkinson joined a national group called the Alliance for Excellence in School Budgeting through the Government Finance Officers Association (GFOA). This group allows districts from across the country to work through the Smarter School Spending budget model together. The full list of members in this group can be found at <http://www.smarterschoolspending.org/about/alliance-members>

OVERVIEW OF THE FINANCIAL STATEMENTS

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

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-wide financial statements

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

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

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

Fund financial statements

The *fund financial statements* provide detailed information about the District's significant funds rather than the School District of Fort Atkinson as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Table 1
Major Features of the District-wide and Fund Financial Statements

	District-wide	Fund Financial Statements	
	<u>Statements</u>	<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	The district acts as trustee or agent for another; e.g. other post employment trusts
Required Financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset, liability and deferred inflows/outflows of resources information	All assets, liabilities and deferred inflows/outflows of resources; both financial and capital, short-term and long-term.	Generally assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, liabilities, deferred outflows/inflows of resources, 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 when 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 additions or deductions during the year, regardless of when cash is received and paid.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41 of this report.

Other Information

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

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$32,826,651 of which \$18,891,254 was the net investment in capital assets, \$561,982 was restricted for debt service, \$60,720 was restricted for food service, \$246,012 was restricted for special purpose and \$13,066,683 was unrestricted net position. Unrestricted net position represents the discretionary resources that can be used to fund general District operations.

For governmental activities, current and other assets decreased the value of assets held by the state-wide Wisconsin Retirement System (WRS) decreased significantly. As a result, the WRS is no longer reporting a net pension asset. Capital assets decreased due to current year depreciation exceeding current year capital additions. Deferred outflows of resources and deferred inflows of resources increased due to the District's proportionate share of differences in projected versus actual WRS pension investment income.

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

	Governmental Activities		
	2016	2015	% Change
Assets			
Current and other assets	\$ 14,943	\$ 17,348	-13.86%
Capital assets	28,047	29,057	-3.48%
Total assets	42,990	46,405	-7.36%
Deferred Outflows of Resources	10,479	2,741	282.31%
Liabilities			
Long-term liabilities	11,069	11,047	0.20%
Other liabilities	5,485	5,142	6.67%
Total liabilities	16,554	16,189	2.25%
Deferred Inflows of Resources	4,089	7	58314.29%
Net Position			
Net investment in capital assets	18,891	18,272	3.39%
Restricted	868	6,161	-85.91%
Unrestricted	13,067	8,517	53.42%
Total Net Position	\$ 32,826	\$ 32,950	-0.38%

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2016 with a decrease in net position of \$124,302, compared to an increase of \$2,325,016 in fiscal year 2015. The decrease in net position was primarily attributed to the change from a net pension asset to a net pension liability in the state retirement system. Most of this change was due the Wisconsin Retirement System's investment returns being flat in 2015. The actuaries assume a 7.2% rate of return each year, so in years where those returns are not achieved the District's net position is reduced by their proportionate share.

The District received \$38,477,321 in revenue for the fiscal year 2016. The District relies primarily on property taxes (40.4% of total governmental revenues), and state equalization aid (41.1%) to fund governmental activities. The District received approximately 16.2% in the form of specific use state grants, federal aid and direct fees for services. Individuals who directly participated or benefited from a program paid 5.5% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services. Federal and state governments subsidized certain programs with grants and awards of \$4,113,958. Operating grants include Title I, IDEA, Transportation Aid, and National School Lunch Programs.

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

REVENUES	Governmental Activities		
	2016	2015	% Change
Program revenues			
Charges for services	\$ 2,124	\$ 2,058	3.21%
Operating grants & contributions	4,114	4,006	2.70%
General revenues			
Property taxes	15,558	14,958	4.01%
General aid	15,795	16,834	-6.17%
Other	886	168	427.38%
Total revenues	38,477	38,024	1.19%
EXPENSES			
Instruction	22,232	22,084	0.67%
Pupil and instructional services	3,204	2,915	9.91%
Administrative services	2,485	2,455	1.22%
Operation and maintenance	3,779	3,837	-1.51%
Pupil transportation	1,111	1,088	2.11%
Food service	1,328	1,331	-0.23%
Interest on debt	428	701	-38.94%
Other	4,034	1,288	213.20%
Total expenses	38,601	35,699	8.13%
Change in Net Position	\$ (124)	\$ 2,325	-105.33%

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

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

The cost of all governmental activities this year was \$38,601,623. Individuals who directly participated or benefited from a program offering paid for \$2,124,006 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$4,113,958. The net cost of governmental activities \$32,363,659 was financed primarily by \$13,522,411 of property taxes and \$15,795,362 of federal and state unrestricted aid.

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

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 22,232	\$ (17,537)
Pupil and instructional services	3,204	(3,165)
Administrative services	2,485	(2,365)
Operation and maintenance	3,779	(3,779)
Pupil transportation	1,111	(1,089)
Food service	1,328	6
Interest on debt	428	(428)
Other	4,034	(4,006)
	\$ 38,601	\$ (32,363)
Total expenses	\$ 38,601	\$ (32,363)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$11,231,651 up from last year's ending fund balance of \$11,021,280. The District's unassigned fund balance, available for spending at the district's discretion was \$10,103,096.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance increase of \$194,443, compared to an increase of \$1,866,270 in the prior year. The change is due to a long-term budget plan during the current three-year operational referendum. The District purposefully planned to have a larger surplus in the first year of the referendum to carry over to offset a deficit in the third year. The second year, fiscal year 2016, was intended to be close to a break even fiscal year and the District ended in the fiscal position it had intended to.

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews and interim budget in May for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations, and *original* budget is adopted in October following determination of the official student enrollment and certification of state aids. Generally, the original budget is not significantly modified, but minor adjustments are made for the reallocation of resources to respond to changing needs and for the carryover revenue from state and federal grants.

The General Fund's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues and other financing sources of \$31,794,460 and expenditures and other financing uses of \$31,601,613.

Actual results for the year show revenues and other financing sources exceeding expenditures and other financing uses by \$194,443, which is \$1,596 greater than the *original* budget. As outlined above, the District finished the fiscal year as planned and within a small margin of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$56,490,415 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$28,443,889. Asset acquisitions for governmental activities totaled \$588,769. The District recognized depreciation expense of \$1,597,869. Detailed information about capital assets can be found in Note 4 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	2016	2015
Land and construction in progress	\$ 1,066	\$ 1,066
Buildings	50,460	50,327
Furniture and equipment	4,964	4,555
Accumulated depreciation	(28,443)	(26,891)
Net capital assets	\$ 28,047	\$ 29,057

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

Long-term Debt

At June 30, 2016, the District had \$9,180,000 in general obligation debt outstanding—a decrease of \$1,605,000 from fiscal 2015. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 5 to the financial statements.

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

	2016	2015
General obligation debt	\$ 9,180	\$ 10,785
Compensated absences	295	274
Other postemployment benefits	1,101	1,197
Net long-term obligations	\$ 10,576	\$ 12,256

FACTORS BEARING ON THE DISTRICT'S FUTURE

The following items may have a bearing on the future of the School District of Fort Atkinson:

- On November 8, 2016 the District passed an operational referendum to exceed the state imposed revenue limits. This referendum was one question with two parts. The first part of the referendum will allow the District to exceed the revenue limit by \$1.75 million on a recurring basis in perpetuity. The second part of the referendum will allow the District to exceed the revenue limit by \$2.25 million per year for three years. This will allow the District to get through the 2017-19 State biennial budget as well as the first year of the 2019-2021 biennial budget, therefore giving a clearer picture of state funding of public education in Wisconsin.
- The current District Administrator, Dr. Jeffrey Zaspel, has announced his retirement as of June 30, 2017. As of the date of this report, the Board of Education is currently undertaking a search process to find his successor to lead the School District of Fort Atkinson beginning July 1, 2017.
- All three branches of government at both the state and federal level will be held by Republican control as of January, 2017. In this political climate, the last several years there has been a greater focus on school choice and the expansion of publicly funded vouchers for both regular and special education. It is expected that this focus will continue in Wisconsin and may be enhanced by incoming officials in the federal Department of Education. Given the desire to also limit tax increases, it is expected that funding for public schools will remain stagnant for the foreseeable future, thus impacting the financial position of the District.
- As the District continues its journey through implementation of the Smarter School Spending budget model, it will be examining the return on investment of every budget dollar spent to ensure the most impact is made with the most students. A new strategic plan will be developed during the 2017-18 fiscal year that will build upon this model and provide measurable outcomes that will be monitored regularly to determine the effectiveness of such investments. With more of the District's budget funding coming through local referenda, it will be imperative to show to the electors the value they are receiving through their investment in local public schools.

SCHOOL DISTRICT OF FORT ATKINSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Jeff Zaspel, District Superintendent at (920) 563-8707 or zaspelj@fortschools.org

Jason Demerath, Business Manager at (920) 563-7809 or demerathj@fortschools.org

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

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 8,468,260
Accounts receivable	4,443,238
Due from other governments	1,946,152
Inventories	7,328
Prepaid expenses	78,910
Capital assets not being depreciated	1,065,998
Capital assets being depreciated, net	26,980,528
 Total assets	 42,990,414
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	10,232,454
Unamortized loss on refunding	246,464
 Total deferred outflows of resources	 10,478,918
LIABILITIES	
Accounts payable and other current liabilities	3,690,492
Accrued interest	102,786
Deferred revenues	21,745
Other postemployment benefits	1,101,427
Accrued compensated absences	295,168
Unamortized premium on issuance of debt	221,736
Net pension liability	1,940,373
Long-term debt	
Due within one year	1,670,000
Due in more than one year	7,510,000
 Total liabilities	 16,553,727
DEFERRED INFLOWS OF RESOURCES	
Related to pension	4,088,954
NET POSITION	
Net investment in capital assets	18,891,254
Restricted	868,714
Unrestricted	13,066,683
 Total net position	 \$ 32,826,651

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contributions	(Expenses) Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 14,569,989	\$ 1,313,154	\$ 1,056,740	\$ (12,200,095)
Vocational instruction	1,087,941	-	32,170	(1,055,771)
Physical instruction	1,024,852	-	-	(1,024,852)
Special education instruction	4,464,399	65,745	2,157,356	(2,241,298)
Other instruction	1,084,398	69,645	-	(1,014,753)
Total instruction	22,231,579	1,448,544	3,246,266	(17,536,769)
Support services				
Pupil services	1,480,655	-	39,303	(1,441,352)
Instructional staff services	1,723,663	-	-	(1,723,663)
Administrative services	2,485,074	-	119,907	(2,365,167)
Operation and maintenance	3,779,326	-	-	(3,779,326)
Pupil transportation	1,110,937	-	21,638	(1,089,299)
Food service	1,327,827	647,313	686,844	6,330
Central services	815,890	-	-	(815,890)
Insurance and judgments	315,501	-	-	(315,501)
Other support services	2,902,862	28,149	-	(2,874,713)
Interest on debt	428,309	-	-	(428,309)
Total support services	16,370,044	675,462	867,692	(14,826,890)
Total school district	\$ 38,601,623	\$ 2,124,006	\$ 4,113,958	(32,363,659)
GENERAL REVENUES				
TAXES				
Property taxes, levied for general purposes				13,522,411
Property taxes, levied for debt service				2,009,288
Property taxes, levied for specific purposes				26,096
Other taxes				-
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				15,795,362
Other				498,413
Interest and investment earnings				16,380
Gain on disposal of assets				351,876
Miscellaneous				19,531
Change in net position				(124,302)
Net Position—beginning of year				32,950,953
Net Position—end of year				\$ 32,826,651

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 7,479,343	\$ 988,917	\$ 8,468,260
Accounts receivable	4,433,220	10,018	4,443,238
Due from other governments	1,928,337	17,815	1,946,152
Due from other funds	16,559	-	16,559
Inventory	-	7,328	7,328
Prepaid expenditures	78,707	203	78,910
Total assets	<u>\$ 13,936,166</u>	<u>\$ 1,024,281</u>	<u>\$ 14,960,447</u>
LIABILITIES			
Accounts payable	\$ 243,945	\$ 1,003	\$ 244,948
Accrued salaries and wages	1,962,535	7,870	1,970,405
Payroll taxes and withholdings	1,469,535	5,604	1,475,139
Due to other funds	-	16,559	16,559
Unearned revenues	-	21,745	21,745
Total liabilities	3,676,015	52,781	3,728,796
FUND BALANCES			
Nonspendable	78,707	7,531	86,238
Restricted	-	963,969	963,969
Assigned	78,348	-	78,348
Unassigned	10,103,096	-	10,103,096
Total fund balances	<u>10,260,151</u>	<u>971,500</u>	<u>11,231,651</u>
Total liabilities and fund balances	<u>\$ 13,936,166</u>	<u>\$ 1,024,281</u>	<u>\$ 14,960,447</u>

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances—governmental funds		\$ 11,231,651
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	\$ 56,490,415	
Accumulated depreciation	<u>(28,443,889)</u>	
Net capital assets		28,046,526
The net pension liability is not an available resource and, therefore, is not reported in the funds.		(1,940,373)
Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported as assets or liabilities in the funds those assets and liabilities at year-end consist of;		
Bonds and notes payable	(9,180,000)	
Accrued interest payable	(102,786)	
Unamortized premium on issuance of debt	(221,736)	
Unamortized loss on refunding	246,464	
Compensated absences	(295,168)	
Other postemployment benefit liability	(1,101,427)	
Deferred outflows related to pension	10,232,454	
Deferred inflows related to pension	<u>(4,088,954)</u>	
Total long-term obligations		<u>(4,511,153)</u>
Total net position—governmental activities		<u>\$ 32,826,651</u>

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 13,522,411	\$ 2,035,384	\$ 15,557,795
Local	254,706	1,177,818	1,432,524
Interdistrict payments	1,265,527	16,559	1,282,086
Intermediate sources	3,671	-	3,671
State	17,721,361	25,999	17,747,360
Federal	1,422,882	659,595	2,082,477
Other sources	105,991	-	105,991
Total revenues	<u>34,296,549</u>	<u>3,915,355</u>	<u>38,211,904</u>
EXPENDITURES			
Instruction			
Regular instruction	13,207,659	50,236	13,257,895
Vocational instruction	1,067,339	20,602	1,087,941
Physical instruction	1,024,852	-	1,024,852
Special education instruction	4,464,399	-	4,464,399
Other instruction	810,840	273,558	1,084,398
Total instruction	<u>20,575,089</u>	<u>344,396</u>	<u>20,919,485</u>
Support services			
Pupil services	1,478,995	1,660	1,480,655
Instructional staff services	1,721,203	2,460	1,723,663
General administrative services	421,224	-	421,224
Building administrative services	1,634,100	25,505	1,659,605
Business administrative services	5,206,112	1,358,410	6,564,522
Central services	815,790	100	815,890
Insurance and judgments	315,501	-	315,501
Other support services	1,792,524	29,270	1,821,794
Total support services	<u>13,385,449</u>	<u>1,417,405</u>	<u>14,802,854</u>
Capital outlay	492,406	96,363	588,769
Debt service			
Principal	-	1,605,000	1,605,000
Interest and fees	2,057	436,263	438,320
Total expenditures	<u>34,455,001</u>	<u>3,899,427</u>	<u>38,354,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158,452)</u>	<u>15,928</u>	<u>(142,524)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	352,895	-	352,895
Net change in fund balances	194,443	15,928	210,371
Fund balances—beginning of year	<u>10,065,708</u>	<u>955,572</u>	<u>11,021,280</u>
Fund balances—end of year	<u>\$ 10,260,151</u>	<u>\$ 971,500</u>	<u>\$ 11,231,651</u>

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net change in fund balances—total governmental funds		\$ 210,371
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 588,769	
Depreciation expense reported in the statement of activities	(1,597,869)	
Net book value of assets disposed of	<u>(1,155)</u>	(1,010,255)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes		1,605,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	55,009	
Amortization of premium on issuance of debt	20,633	
Amortization of loss on refunding	(65,631)	
Net decrease in other postemployment benefit liability	205,077	
Net decrease in supplemental pension	43,980	
Net increase in compensated absences	(21,095)	
Net increase in pension expense	<u>(1,167,391)</u>	<u>(929,418)</u>
Change in net position of governmental activities		<u>\$ (124,302)</u>

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency</u>
ASSETS			
Cash and investments	<u>\$ 1,091,029</u>	<u>\$ 426,114</u>	<u>\$ 97,025</u>
Total assets	1,091,029	426,114	97,025
LIABILITIES			
Due to student organizations	<u>-</u>	<u>-</u>	<u>\$ 97,025</u>
NET POSITION			
Restricted	<u>\$ 1,091,029</u>	<u>\$ 426,114</u>	

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Contributions	\$ 71,102	\$ 1,177,813
Investment earnings	202,044	4,567
Total additions	273,146	1,182,380
DEDUCTIONS		
Scholarships	306,243	-
Other post-employment benefits	-	1,125,090
Total deductions	306,243	1,125,090
Change in net position	(33,097)	57,290
Net Position—beginning of year	1,124,126	368,824
Net Position—end of year	<u>\$ 1,091,029</u>	<u>\$ 426,114</u>

See accompanying notes.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The School District of Fort Atkinson operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for kindergarten through grade 12.

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

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

Basis of Presentation

District-wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

The District reports the following major governmental fund:

General Fund

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

The District reports the following nonmajor governmental funds:

Special Revenue Funds

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

Debt Service Fund

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

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefit Trust Fund

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

Agency Fund

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

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash and Investments

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Receivables and Payables

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

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

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

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

Prepaid Items

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

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$1,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture and equipment	5 - 20

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2016 related to pension activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2016 related to pension activity.

Compensated Absences and Other Employee Benefit Amounts

Sick leave benefits are reflected as expenses when paid. Unused sick leave days vest only upon, retirement, death, or permanent disability and are accounted for as retirement income. Employees vest if they are at least 62 years of age and have fifteen years of service.

All vacation and sick pay is accrued when incurred in the district-wide financial statements. For governmental fund financial statements, the unpaid vested employee benefits are not expected to be paid using expendable available resources; therefore, the liability is not reported.

Pensions

For purposes of measuring the net pension liability, 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.

Long-Term Obligations

In the district-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refunding, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

Net Position

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

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

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

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

Fund Balance

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

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

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

Committed—Resources that can only be used for specific purposes as the result of a formal action of the District’s highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District’s adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.

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

Use of Restricted Resources

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

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2016, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Deposits with financial institutions	\$ 9,360,198	\$ 8,560,811	Custodial
Certificates of deposit	81,403	81,403	Custodial
Fixed income securities	640,831	691,363	Credit and interest rate
Equity funds	502,683	502,683	Credit and interest rate
Mutual funds	246,168	246,168	Credit and interest rate
	<u>\$ 10,831,283</u>	<u>\$ 10,082,428</u>	

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—CASH AND INVESTMENTS (continued)

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

Statement of net position	
Governmental activities	\$ 8,468,260
Statement of fiduciary net position	
Trust Funds	1,517,143
Agency Fund	<u>97,025</u>
	<u><u>\$ 10,082,428</u></u>

Credit Risk

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

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—CASH AND INVESTMENTS (continued)

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2016, fixed income, equity fund, and mutual fund investments have a maturity of 12 months or less.

Custodial Credit Risk

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. 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 be significant to individual organizations. As of June 30, 2016, \$1,415,103 of the District's deposits with financial institutions were uninsured and uncollateralized, and \$8,611,901 of the District's deposits with financial institutions were collateralized by the pledging financial institution's trust department or agent not in the District's name. The District does not have a custodial risk policy for deposits.

Concentration of Credit Risk

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

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—CASH AND INVESTMENTS (continued)

The district has the following recurring fair value measurements as of June 30, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 640,831	\$ 640,831	\$ -	\$ -
Equity funds	502,683	502,683	-	-
Mutual funds	246,168	246,168	-	-
	<u>\$ 1,389,682</u>	<u>\$ 1,389,682</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3—INTERFUND ADVANCES

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Package Cooperative	<u>\$ 16,559</u>

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

NOTE 4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,065,998	\$ -	\$ -	\$ 1,065,998
Capital assets being depreciated				
Building	50,326,801	133,178	-	50,459,979
Furniture and equipment	4,555,174	455,591	(46,327)	4,964,438
Total capital assets being depreciated	54,881,975	588,769	(46,327)	55,424,417
Less accumulated depreciation	26,891,192	1,597,869	(45,172)	28,443,889
Total capital assets being depreciated—net	27,990,783	(1,009,100)	(1,155)	26,980,528
Governmental activity capital assets-net	<u>\$ 29,056,781</u>	<u>\$ (1,009,100)</u>	<u>\$ (1,155)</u>	<u>\$ 28,046,526</u>

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4—CAPITAL ASSETS (continued)

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to functions as follows:

Instruction	\$ 1,540,056
Administrative Services	3,175
Operation and Maintenance of Plant	45,338
Food Service	9,300
	<u>9,300</u>
Total depreciation:	<u>\$ 1,597,869</u>

NOTE 5—LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/16	Due Within One Year
General obligation bonds	\$ 10,480,000	\$ -	\$ (1,460,000)	\$ 9,020,000	\$ 1,510,000
General obligation notes	305,000	-	(145,000)	160,000	160,000
Total G.O. debt	10,785,000	-	(1,605,000)	9,180,000	1,670,000
Accrued compensated absences	274,073	21,095	-	295,168	-
Total long-term liabilities	<u>\$ 11,059,073</u>	<u>\$ 21,095</u>	<u>\$ (1,605,000)</u>	<u>\$ 9,475,168</u>	<u>\$ 1,670,000</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2016 was \$435,310 and \$380,231, respectively.

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

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,415,148,214. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2016 was as follows:

Debt limit (10% of \$1,415,148,214)	\$ 141,514,821
Less: long-term debt applicable to debt margin:	9,180,000
Margin of indebtedness:	<u>\$ 132,334,821</u>

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2016 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2016
G.O. promissory notes	4/4/2007	4.00%	4/1/2017	\$ 1,340,000	\$ 160,000
G.O. refunding bonds	3/31/2015	2.00%-3.00%	2/1/2027	7,510,000	7,510,000
G.O. refunding bonds	4/7/2007	4.00%	4/1/2021	9,350,000	1,510,000
					<u>\$ 9,180,000</u>

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

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
2017	\$ 1,670,000	\$ 372,313	\$ 2,042,313
2018	680,000	174,225	854,225
2019	695,000	160,625	855,625
2020	710,000	146,725	856,725
2021	720,000	132,525	852,525
2022-2026	3,870,000	416,700	4,286,700
2027-2031	835,000	25,050	860,050
	<u>\$ 9,180,000</u>	<u>\$ 1,428,163</u>	<u>\$ 10,608,163</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$8,210,000 of debt outstanding is considered defeased.

NOTE 6 – EMPLOYEE'S RETIREMENT SYSTEM

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. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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

The WRS also provides death and disability benefits for employees.

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$1,149,585 in contributions from the employer which equaled required contributions.

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

At June 30, 2016, the District reported a liability of \$1,940,373 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. The District reported a deferred outflow of \$1,357,569 for change in assumptions between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At December 31, 2015, the District’s proportion was 0.119409%, which was a decrease of 0.00061567% from its proportion measured as of December 31, 2014. For the year ended June 30, 2016, the District recognized pension expense of \$2,337,912.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,949	\$ (4,083,482)
Changes in assumptions	1,357,569	-
Net differences between projected and actual earnings on pension plan investments	7,949,938	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(5,472)
Employer contributions subsequent to the measurement date	594,998	-
Total	\$ 10,232,454	\$ (4,088,954)

\$594,998 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 2,502,725	\$ (989,810)
2017	2,502,725	(989,810)
2018	2,502,725	(989,810)
2019	2,085,848	(988,873)
2020	43,433	(130,651)
	\$ 9,637,456	\$ (4,088,954)

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

Core Fund Asset Class	Current Asset Allocation	Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
U.S. equities	27%	23%	7.6%	4.7%
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
Total core fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

Single Discount rate. A single discount rate of 7.2% 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 7.2% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District's proportionate share of net pension liability	\$ 13,609,814	\$ 1,940,373	\$ (7,173,668)

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/>.

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are approximately 432 active and 60 retired members in the plan as of July 1, 2014, the date of the latest actuarial valuation. Benefits and eligibility are established and amended by the Board of Education.

Funding Policy. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and for the year ended June 30, 2016 the District contributed \$1,172,561 to the School District of Fort Atkinson Post-Employment Benefits Trust.

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Annual required contribution	\$ 962,310
Interest on net OPEB obligation	59,873
Adjustment to annual required contribution	<u>(54,629)</u>
Annual OPEB cost (expense)	967,554
OPEB payments made	<u>(1,172,561)</u>
Increase in net OPEB obligation	(205,007)
Net OPEB obligation - beginning of year	<u>1,197,457</u>
Net OPEB obligation - end of year	<u><u>\$ 992,450</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 967,554	121.19%	\$ 992,450
6/30/2015	1,113,794	104.00%	1,197,457
6/30/2014	1,113,411	95.00%	1,399,313

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$10,462,177 and the actuarial value of assets was \$262,224 resulting in an unfunded actuarial accrued liability (UAAL) of \$10,199,953.

The annual payroll for active employees covered by the plan in the actuarial valuation for the 2015-2016 fiscal year was \$16,442,849 for a ratio of the UAAL to covered payroll of 62.11%.

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

In the July 1, 2014 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return and an initial annual healthcare cost trend rate of 7.5 percent, reduced by decrements to an ultimate rate of 5 percent. Both rates include a 3 percent inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 1, 2014 was 30 years.

NOTE 8—SUPPLEMENTAL PENSION

Plan Description. The District operates a single-employer pension plan, which is a defined benefit pension plan established to provide benefits after early retirement. The District will provide teachers and administrators with a cash benefit. The District provides administrators hired prior to July 1, 1997 and teachers hired prior to July 15, 1991 with supplemental pension wherein the District shall make an annual contribution of \$3,000 into a retiree's TSA. For administrators this annual benefit will be paid out for 5 years whereas for teachers it will only be paid out for a period of 4 years.

Funding Policy. Supplemental pension benefits are funded on a pay as you go basis. Active members are not required to contribute towards these benefits. The 2016 fiscal year payment to retirees totaled \$63,000.

Annual Pension Cost and Net Pension Obligation. The District's annual supplemental pension cost (expense) is calculated based on the annual pension cost (APC), an amount actuarially determined in accordance with the parameters of GASB Statement 27 as amended by GASB Statement 50. The APC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual supplemental pension cost for the year, the amount actually paid to retirees, and changes in the District's net pension obligation.

Annual required contribution	\$ 21,607
Interest on net supplemental pension obligation	6,119
Adjustment to annual required contribution	<u>(8,706)</u>
Annual supplemental pension cost (expense)	19,020
Supplemental pension payments made	<u>(63,000)</u>
Increase in net supplemental pension obligation	(43,980)
Net supplemental pension obligation - beginning of year	<u>152,957</u>
Net supplemental pension obligation - end of year	<u><u>\$ 108,977</u></u>

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8—SUPPLEMENTAL PENSION (continued)

The District's annual supplemental pension costs, the percentage of the annual supplemental pension cost contributed to the plan, and the net pension obligation for June 30, 2016 and the preceding two years was as follows:

Fiscal Year Ended	Annual Supplemental Pension Cost	Percentage of Annual Supplemental Pension Cost Contributed	Net Supplemental Pension Obligation
6/30/2016	\$ 19,020	331.23%	\$ 108,977
6/30/2015	13,363	656.00%	152,957
6/30/2014	24,674	294.00%	237,344

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$298,410. The plan has \$0 of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$298,410. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-2014 fiscal year was \$16,422,849 for a ratio of the UAAL to covered payroll of 1.82%.

Actuarial Methods and Assumptions. In the July 1, 2014, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. This rate includes a 3 percent inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 1, 2014 was 20 years.

NOTE 9—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2016 consist of the following:

Net investment in capital assets	\$ 18,891,254
Restricted	
Donor restrictions	246,012
Nutrition services	60,720
Debt service	<u>561,982</u>
Total restricted	868,714
Unrestricted	<u>13,066,683</u>
Total governmental activities net position	<u><u>\$ 32,826,651</u></u>

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10—GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the financial statements at June 30, 2016 include the following:

Nonspendable	
General fund	
Prepaid expenditures	\$ 78,707
Nutrition services	
Prepaid expenditures	203
Inventories	7,328
	86,238
Total nonspendable fund balance	
Restricted	
Special purpose	181,397
Nutrition services	53,189
Debt service	664,768
Community services	64,615
	963,969
Total restricted	
Assigned	
Barrie Elementary insurance funds	12,940
Building rentals	40,044
Curriculum development	25,364
	78,348
Total assigned	
Unassigned	10,103,096
Total governmental fund balance	\$ 11,231,651

NOTE 11—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; 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 not significant reductions in coverage compared to the prior year.

NOTE 12—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. 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.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13—OPERATING LEASES

The District has leases on a number of its copiers. Future minimum payments on these leases are \$67,119 for each year ended June 30, 2017 and 2018.

NOTE 14—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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 13,473,933	\$ 13,473,933	\$ 13,522,411	\$ 48,478
Local	212,080	212,080	254,706	42,626
Interdistrict payments	1,188,992	1,188,992	1,199,782	10,790
State	16,137,561	16,137,561	16,474,623	337,062
Federal	684,194	684,194	629,841	(54,353)
Other sources	97,700	97,700	105,991	8,291
Total revenues	<u>31,794,460</u>	<u>31,794,460</u>	<u>32,187,354</u>	<u>392,894</u>
EXPENDITURES				
Instruction				
Regular instruction	13,545,738	13,602,348	13,448,494	153,854
Vocational instruction	1,017,754	1,066,775	1,072,057	(5,282)
Physical instruction	1,011,404	1,027,436	1,035,103	(7,667)
Other instruction	<u>777,058</u>	<u>788,082</u>	<u>834,320</u>	<u>(46,238)</u>
Total instruction	16,351,954	16,484,641	16,389,974	94,667
Support services				
Pupil services	906,986	842,093	848,443	(6,350)
Instructional staff services	1,544,455	1,660,985	1,559,962	101,023
General administrative services	375,483	389,074	419,963	(30,889)
Building administrative services	1,634,137	1,624,728	1,634,100	(9,372)
Business administrative services	4,794,911	5,060,776	5,024,140	36,636
Central services	757,013	767,510	836,602	(69,092)
Insurance and judgments	333,772	318,143	315,501	2,642
Other support services	<u>1,276,325</u>	<u>1,274,848</u>	<u>1,346,049</u>	<u>(71,201)</u>
Total support services	11,623,082	11,938,157	11,984,760	(46,603)
Debt service				
Interest and fees	<u>1,777</u>	<u>1,777</u>	<u>2,057</u>	<u>(280)</u>
Total expenditures	<u>27,976,813</u>	<u>28,424,575</u>	<u>28,376,791</u>	<u>47,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,817,647</u>	<u>3,369,885</u>	<u>3,810,563</u>	<u>440,678</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	352,895	352,895
Transfers in (out)	<u>(3,624,800)</u>	<u>(3,890,418)</u>	<u>(3,969,015)</u>	<u>(78,597)</u>
Total other financing sources (uses)	<u>(3,624,800)</u>	<u>(3,890,418)</u>	<u>(3,616,120)</u>	<u>274,298</u>
Net change in fund balances	192,847	(520,533)	194,443	714,976
Fund balances—beginning of year	<u>10,065,708</u>	<u>10,065,708</u>	<u>10,065,708</u>	<u>-</u>
Fund balances—end of year	<u>\$ 10,258,555</u>	<u>\$ 9,545,175</u>	<u>\$ 10,260,151</u>	<u>\$ 714,976</u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
EXPLANATION OF DIFFERENCES BETWEEN BUDGETERY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2016

SOURCES/INFLOWS OF RESOURCES:

Actual General Fund operating revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 32,187,354
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>2,109,195</u>
General Fund Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 34,296,549</u>

USES/OUTFLOWS OF RESOURCES:

Actual General Fund expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 28,376,791
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>6,078,210</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 34,455,001</u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2014	\$ 262,224	\$ 10,462,177	\$ 10,199,953	2.51%	\$ 16,422,849	62.11%
7/1/2012	156,187	12,054,639	11,898,452	1.30%	16,193,451	73.48%
7/1/2010	109,187	10,706,813	10,597,626	1.02%	16,472,511	64.34%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF FUNDING PROGRESS - SUPPLEMENTAL PENSION
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2014	\$ -	\$ 298,410	\$ 298,410	0.00%	\$ 16,422,849	1.82%
7/1/2012	-	368,020	368,020	0.00%	16,193,451	2.27%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

	2015	2014
The District's proportion of the net pension liability	0.119409%	0.120025%
The District's proportionate share of the net pension liability	\$ 1,940,373	\$ (2,948,135)
The District's covered-employee payroll	\$ 16,905,664	\$ 16,422,849
The District's proportionate share as a percentage of covered payroll	11.48%	17.95%
Plan fiduciary net position as a percentage of the total pension liability	98.20%	102.74%

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

SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2014
Contractually required contributions	\$ 1,149,585	\$ 1,149,599
Contributions in relation to the contractually required contributions	\$ 1,149,585	\$ 1,149,599
The District's covered-employee payroll	\$ 16,905,664	\$ 16,422,849
Contributions as a percentage of covered-employee payroll	6.80%	7.00%

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

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1—BUDGETARY INFORMATION

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

Excess Expenditures Over Appropriations

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2016.

<u>Function</u>	<u>Excess Expenditures</u>
Vocational instruction	5,282
Physical instruction	7,667
Other instruction	46,238
Pupil services	6,350
General administrative services	30,889
Building administrative services	9,372
Central services	69,092
Other support services	71,201

NOTE 2—FUNDING PROGRESS DATA

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

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

NOTE 3— EMPLOYEE’S RETIREMENT CONTRIBUTIONS

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

Changes of assumptions. The District reported a deferred outflow of \$1,357,569 for changes in assumptions.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
COMBINING BALANCE SHEET—GENERAL FUND
June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 7,358,342	\$ 121,001	\$ 7,479,343
Accounts receivable	4,433,220	-	4,433,220
Due from other governments	1,353,068	575,269	1,928,337
Due from other funds	16,559	-	16,559
Prepaid expenditures	77,314	1,393	78,707
Total assets	\$ 13,238,503	\$ 697,663	\$ 13,936,166
LIABILITIES			
Accounts payable	\$ 66,434	\$ 177,511	\$ 243,945
Accrued salaries and wages	1,587,136	375,399	1,962,535
Payroll taxes and withholdings	1,324,782	144,753	1,469,535
Total liabilities	2,978,352	697,663	3,676,015
FUND BALANCES			
Nonspendable	77,314	1,393	78,707
Assigned	78,348	-	78,348
Unassigned	10,104,489	(1,393)	10,103,096
Total fund balances	10,260,151	-	10,260,151
Total liabilities and fund balances	\$ 13,238,503	\$ 697,663	\$ 13,936,166

SCHOOL DISTRICT OF FORT ATKINSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL FUND
Year Ended June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 13,522,411	\$ -	\$ 13,522,411
Local	254,706	-	254,706
Interdistrict payments	1,199,782	65,745	1,265,527
Intermediate sources	-	3,671	3,671
State	16,474,623	1,246,738	17,721,361
Federal	629,841	793,041	1,422,882
Other sources	105,991	-	105,991
Total revenues	<u>32,187,354</u>	<u>2,109,195</u>	<u>34,296,549</u>
EXPENDITURES			
Instruction			
Regular instruction	13,207,659	-	13,207,659
Vocational instruction	1,066,182	1,157	1,067,339
Physical instruction	1,024,852	-	1,024,852
Special education instruction	-	4,464,399	4,464,399
Other instruction	810,840	-	810,840
Total instruction	<u>16,109,533</u>	<u>4,465,556</u>	<u>20,575,089</u>
Support services			
Pupil services	848,443	630,552	1,478,995
Instructional staff services	1,489,621	231,582	1,721,203
General administrative services	419,963	1,261	421,224
Building administrative services	1,634,100	-	1,634,100
Business administrative services	4,926,608	279,504	5,206,112
Central services	815,790	-	815,790
Insurance and judgments	315,501	-	315,501
Other support services	1,346,049	446,475	1,792,524
Total support services	<u>11,796,075</u>	<u>1,589,374</u>	<u>13,385,449</u>
Capital outlay	469,126	23,280	492,406
Debt service			
Interest and fees	2,057	-	2,057
Total expenditures	<u>28,376,791</u>	<u>6,078,210</u>	<u>34,455,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,810,563</u>	<u>(3,969,015)</u>	<u>(158,452)</u>
Other financing sources (uses)			
Proceeds from sale of assets	352,895	-	352,895
Transfers in (out)	(3,969,015)	3,969,015	-
Total other financing sources (uses)	<u>(3,616,120)</u>	<u>3,969,015</u>	<u>352,895</u>
Net change in fund balances	194,443	-	194,443
Fund balances—beginning of year	10,065,708	-	10,065,708
Fund balances—end of year	<u>\$ 10,260,151</u>	<u>\$ -</u>	<u>\$ 10,260,151</u>

SCHOOL DISTRICT OF FORT ATKINSON
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Special Revenue	School Nutrition Services	Community Services	Package Cooperative	Debt Service Fund	
ASSETS						
Cash and investments	\$ 173,239	\$ 86,295	\$ 64,615	\$ -	\$ 664,768	\$ 988,917
Accounts receivable	8,723	1,295	-	-	-	10,018
Due from other governments	-	1,256	-	16,559	-	17,815
Inventory	-	7,328	-	-	-	7,328
Prepaid expenditures	-	203	-	-	-	203
Total assets	\$ 181,962	\$ 96,377	\$ 64,615	\$ 16,559	\$ 664,768	\$ 1,024,281
LIABILITIES						
Accounts payable	\$ 565	\$ 438	\$ -	\$ -	\$ -	\$ 1,003
Accrued salaries and wages	-	7,870	-	-	-	7,870
Payroll taxes and withholdings	-	5,604	-	-	-	5,604
Due to other funds	-	-	-	16,559	-	16,559
Unearned revenue	-	21,745	-	-	-	21,745
Total liabilities	565	35,657	-	16,559	-	52,781
FUND BALANCES						
Nonspendable	-	7,531	-	-	-	7,531
Restricted	181,397	53,189	64,615	-	664,768	963,969
Total fund balances	181,397	60,720	64,615	-	664,768	971,500
Total liabilities and fund balances	\$ 181,962	\$ 96,377	\$ 64,615	\$ 16,559	\$ 664,768	\$ 1,024,281

SCHOOL DISTRICT OF FORT ATKINSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Special Revenue	School Nutrition Services	Community Services	Package Cooperative	Debt Service Fund	
REVENUES						
Taxes	\$ -	\$ -	\$ 26,096	\$ -	\$ 2,009,288	\$ 2,035,384
Local	498,574	648,777	28,149	-	2,318	1,177,818
Interdistrict payments with Wisconsin	-	-	-	16,559	-	16,559
State	-	25,999	-	-	-	25,999
Federal	-	659,595	-	-	-	659,595
Total revenues	<u>498,574</u>	<u>1,334,371</u>	<u>54,245</u>	<u>16,559</u>	<u>2,011,606</u>	<u>3,915,355</u>
EXPENDITURES						
Instruction						
Regular instruction	50,236	-	-	-	-	50,236
Vocational instruction	6,503	-	-	14,099	-	20,602
Other instruction	273,558	-	-	-	-	273,558
Total instruction	<u>330,297</u>	<u>-</u>	<u>-</u>	<u>14,099</u>	<u>-</u>	<u>344,396</u>
Support services						
Pupil services	1,660	-	-	-	-	1,660
Instructional staff services	-	-	-	2,460	-	2,460
Building administrative services	25,505	-	-	-	-	25,505
Business administrative services	5,451	1,327,827	25,132	-	-	1,358,410
Central services	100	-	-	-	-	100
Other support services	-	-	29,270	-	-	29,270
Total support services	<u>32,716</u>	<u>1,327,827</u>	<u>54,402</u>	<u>2,460</u>	<u>-</u>	<u>1,417,405</u>
Capital outlay	64,845	29,657	1,861	-	-	96,363
Debt service						
Principal	-	-	-	-	1,605,000	1,605,000
Interest and fees	-	-	-	-	436,263	436,263
Total expenditures	<u>427,858</u>	<u>1,357,484</u>	<u>56,263</u>	<u>16,559</u>	<u>2,041,263</u>	<u>3,899,427</u>
Net change in fund balances	70,716	(23,113)	(2,018)	-	(29,657)	15,928
Fund balances—beginning of year	110,681	83,833	66,633	-	694,425	955,572
Fund balances—end of year	<u>\$ 181,397</u>	<u>\$ 60,720</u>	<u>\$ 64,615</u>	<u>\$ -</u>	<u>\$ 664,768</u>	<u>\$ 971,500</u>

SCHOOL DISTRICT OF FORT ATKINSON
AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2016

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
ASSETS				
Cash and Investments	\$ 105,361	\$ 267,189	\$ 275,525	\$ 97,025
LIABILITIES				
Due to student organizations				
Barrie Elementary	\$ 15,837	\$ 8,945	\$ 9,417	\$ 15,365
Luther Elementary	9,185	6,521	7,387	8,319
Purdy Elementary	437	90	-	527
Purdy Green Team	1,003	-	-	1,003
Rockwell Elementary	4,446	7,411	10,440	1,417
Rockwell Student Council	638	1,849	1,491	996
Middle School	2,170	13,604	12,227	3,547
High School	71,645	228,769	234,563	65,851
Total liabilities	\$ 105,361	\$ 267,189	\$ 275,525	\$ 97,025

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

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant ID	Accrued or (Unearned) Revenue at 7/1/15	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/16
Department of Agriculture						
Pass-through programs from Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
School Breakfast Program	10.553	A546-00000-281883	\$ -	\$ 83,148	\$ 83,148	\$ -
National School Lunch Program - Snacks	10.555	A561-00000-281883	-	7,064	7,064	-
National School Lunch Program - Food Commodities	10.555	A001-00000-281883	-	90,731	90,731	-
National School Lunch Program	10.555	A547-00000-281883	-	478,652	478,652	-
Total Department of Agriculture			-	659,595	659,595	-
Department of Education						
Pass-through programs from Wisconsin Department of Public Instruction						
Special Education Cluster (IDEA)						
Special Education--Grants to States (IDEA, Part B)	84.027	A341-00000-281883	576,762	597,596	650,075	629,241
Pass-through CESA 11						
Transition improvement grant	84.027		-	1,500	1,500	-
Total Special Education--Grants to States (IDEA, Part B)			576,762	599,096	651,575	629,241
Special Education--Preschool Grants (IDEA Preschool)	84.173	A347-00000-281883	11,345	11,345	10,760	10,760
Total Special Education Cluster (IDEA)			588,107	610,441	662,335	640,001
Title I Grants to Local Education Agencies	84.010	A141-00000-281883	339,756	344,739	373,890	368,907
Twenty-First Century Community Learning Centers	84.287	A367-00000-281883	99,868	99,868	-	-
English Language Acquisition State Grants	84.365	A391-00000-281883	38,547	38,547	16,972	16,972
Improving Teacher Quality State Grants	84.367	A365-00000-281883	27,659	27,659	59,782	59,782
Pass-through School District of Jefferson						
Career and Technical Education - Basic Grants to States	84.048		16,368	16,368	16,559	16,559
Total Department of Education			1,110,305	1,137,622	1,129,538	1,102,221
Department of Health and Human Services						
Pass-through program from Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		25,536	336,937	311,401	-
Total federal programs			\$ 1,135,841	\$ 2,134,154	\$ 2,100,534	\$ 1,102,221

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

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

State Grantor/ Program Title	State Identifying Number	Grant ID	Accrued or (Unearned) Revenue at 7/1/15	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/16
Wisconsin Department of Public Instruction						
Special Education and School Age Parents	255.101	281883-100	\$ -	\$ 1,216,106	\$ 1,216,106	\$ -
Pass-through CESA #2						
Special Education and School Age Parents	255.101		-	1,614	2,171	557
Total Special Education and School Age Parents			-	1,217,720	1,218,277	557
State School Lunch Aid	255.102	281883-107	-	13,641	13,641	-
Common School Fund Library Aid	255.103	281883-104	-	119,907	119,907	-
General Transportation Aid for Public School Pupils	255.107	281883-102	-	21,638	21,638	-
Wisconsin Morning Milk Program	255.109	281883-115	-	7,920	7,920	-
Equalization Aid	255.201	281883-116	294,671	15,812,804	15,795,362	277,229
High Cost Special Education Aid	255.210	281883-119	-	30,632	30,632	-
Alcohol & Other Drug Abuse (s.115.36(a))	255.306	281883-143	1,932	1,932	-	-
School Breakfast Program	255.344	281883-108	-	4,438	4,438	-
Educator Effective Eval Sys Grants Public	255.940	281883-154	-	-	16,426	16,426
Per Pupil Aid	255.945	281883-113	-	-	421,050	421,050
Carrer and Technical Education Incentive Grants	255.950	281883-151	-	22,877	22,877	-
Pass-through Whitewater Unified School District						
Peer Review and Mentoring	255.301	646461-141	-	7,235	7,235	-
Total Wisconsin Department of Public Instruction			296,603	17,260,744	17,679,403	715,262
Wisconsin Department of Revenue						
Exempt Computer Aid			77,696	77,696	71,843	71,843
Total State Programs			<u>\$ 374,299</u>	<u>\$ 17,338,440</u>	<u>\$ 17,751,246</u>	<u>\$ 787,105</u>

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

SCHOOL DISTRICT OF FORT ATKINSON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2016

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, there were no commodities in inventory at the District.

NOTE 4—OVERSIGHT AGENCIES

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

NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$5,183,376 for the year ended June 30, 2016.

SCHOOL DISTRICT OF FORT ATKINSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

2015-001

Condition: During our testing, we noted two students in our sample of 25 students that the District did not have a signed DPI form M-5 on file.

Status: This finding has been resolved.

2015-002

Condition: During our testing, we noted five employees who had their wages and benefits charged in full to Medicaid; however a portion of these same wages and benefits were also charged to the federal grant CFDA # 84.027, Special Education-Grants to States (IDEA). The District did not report the dollar amount reimbursed by the IDEA grant to Medicaid. The costs claimed on the IDEA grant and the Medicaid grant would be considered unallowable for Medicaid. The total costs charged to both Medicaid and IDEA in the current year were \$111,365.

Status: This finding has been resolved.

2015-003

Condition: Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis. The District only had time-and-effort reporting documentation for one employee. However, the amount charged to the federal program for the one employee did not agree to the time spent on the federal program per the time-and-effort reporting documentation. The District was unable to provide sufficient time-and-effort reporting documentation for any other employees who were funded by the federal program.

Status: This finding has been resolved.

2015-004

Condition: The District claimed salary and benefits for two educators who were not properly licensed per DPI's special education licensing requirements.

Result: This finding has been repeated as 2016-001.

2015-005

The District failed to spend all the Common School Fund aid the District was awarded. Districts are required by the Wisconsin Department of Public Instruction to incur expenditures at least equal to the amount awarded to be in compliance with the matching, level of effort and/or earmarking compliance requirement.

Result: This finding has been resolved.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
School District of Fort Atkinson
Fort Atkinson, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Fort Atkinson (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise School District of Fort Atkinson's basic financial statements, and have issued our report thereon dated December 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of Fort Atkinson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District of Fort Atkinson's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Fort Atkinson'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District of Fort Atkinson's financial 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

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School District of Fort Atkinson's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Wegner CPAs, LLP
Madison, Wisconsin
December 10, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

To the Board of Education
School District of Fort Atkinson
Fort Atkinson, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited School District of Fort Atkinson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of School District of Fort Atkinson's major federal programs and each of its major state programs for the year ended June 30, 2016. School District of Fort Atkinson's major federal 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School District of Fort Atkinson's major federal programs and each of its major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Those standards, the Uniform Guidance, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about School District of Fort Atkinson'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 program and each major state program. However, our audit does not provide a legal determination of School District of Fort Atkinson's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, School District of Fort Atkinson 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 programs and each of its major state programs for the year ended June 30, 2016.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance or the *Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program and each major state program is not modified with respect to this matter.

School District of Fort Atkinson's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. School District of Fort Atkinson's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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


Wegner CPAs, LLP
Madison, Wisconsin
December 10, 2016

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Section I—Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173 93.778	Special Education Cluster Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported? Yes

Identification of state major programs:

State Identifying Number	Name of State Program
255.101	Special Education & School Age Parents
255.201	Equalization Aid
255.945	Per Pupil Aid

Section II—Financial Statement Findings

No items were reported.

Section III—Federal and State Award Findings and Questioned Costs

Questioned
Costs

2016-001 Special Education – 255.101 Special Education and School-Age Parents
Grant Pass Through ID – 281883-100

Criteria: Staff must be appropriately licensed for a special education work assignment listed in the state statute in order for their salary and benefits to be eligible for aid

Condition: DPI identified an employee on the No Valid License listing.

Cause: A special education employee that was properly licensed per DPI requirements had a name change. Due to the name change, the employee appeared to not hold the required special education license.

Effect: The District could have lost special education aidable costs.

None

Recommendation: The District should review DPI's report: *Valid Reporting and License Codes for Special Education Staff* and ensure all name changes are reported to DPI.

Views of Responsible Officials and Planned Corrective Actions:

The District is currently in the process of looking at process management in the area of payroll. As the district develops more solid processes, the district will be able to identify special education licensing and allowable cost.

Section IV—Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

SCHOOL DISTRICT OF FORT ATKINSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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

Department of Public Instruction

Yes

Was a management letter or other document conveying audit comments issued as a result of this audit?

No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

December 10, 2016