

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2010

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 36 through 37 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Fort Atkinson's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, agency funds schedule of changes, and schedule of state financial assistance, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

November 11, 2010
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis
June 30, 2010

To the Board of Education
Fort Atkinson School District

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

FINANCIAL HIGHLIGHTS

The assets of the District, exceeded liabilities at the close of fiscal 2010 by \$20,370,810 (*net assets*). For the year, net assets increased by \$1,354,831.

Total governmental fund revenues were \$38,510,780; including \$14,327,008 of property taxes, \$15,388,298 of state and federal general aid, and \$2,006,189 of charges for services. Total governmental fund expenditures were \$34,102,465; including \$19,806,688 for direct instruction.

The following events took place during fiscal 2010:

- Due to the implementation of the 2009-11 State of Wisconsin Biennial Budget, several factors changed beginning in 2009-10. One of those factors is the increase in allowable revenue per student which normally increased at a rate similar to the CPI increase. However, this budget implemented a flat rate increase of \$200 per student for the next two years, a drop from the \$275 per student realized in 2008-09.
- In November, 2009 the School District voluntarily settled a negotiated agreement with its' largest union, the Fort Atkinson Education Association (FEA) for the years 2009 – 2011. This agreement called for a salary schedule increase in 2009-10 of 2.58% per cell. In 2010-11 the agreement calls for a salary schedule increase of only 0.94% per cell along with a freeze in step movement. This results in a two-year average total package increase of 3.69% which is below prior negotiated agreements averaging approximately 3.99% and below the prior state imposed Qualified Economic Offer (QEO) of 3.80% per year.
- In January, 2010 the District refinanced its' prior service liability with the State of Wisconsin retirement system. This liability had been accruing at a 7.8% interest rate which exceeded the amount the District was paying on an annual basis, resulting in an annual increase in the liability. This outstanding liability was refinanced with short-term notes that will come due in August, 2010 at which point it is planned that the District will utilize its' fund balance to pay off these notes. Given the small amount of earnings the fund balance is currently realizing due to depressed interest rates, it was determined that rather than taking out a 20-year loan at 6.25% it would be more advantageous to utilize the District's fund balance and short-term borrow for cash flow needs at 3.00% during specific times throughout the year. The District plans on building the fund balance back up to a level where short-term borrowing is not needed over the course of the next several years. The payoff of this liability will result in a savings to the taxpayer of approximately \$2.5 million over the next 20 years.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- The District received federal stimulus funds in fiscal 2010 through two major federal programs, Individuals with Disabilities Education Act (IDEA) and Title I which supports lower income students. Because these federal funds were funneled to the District through these two programs, the requirements of these two programs applied to these stimulus funds. Therefore, the District was required to spend these funds for special education and Title I purposes only. Given these restrictions and the fact that these were one-time monies, the District found it prudent to spend a majority of the funds on one-time expenses and only spend minimal amounts on recurring items such as staffing needs. Therefore, only one position was hired under the federal stimulus funds for the two-year period (2009-2011) the funds are available. The remaining funds were expended, or continue to be expended, on one time purchases such as capital items, software, supplies, and professional development related to these two particular federal programs.
- In an effort to continue to find ways to become more efficient, the District installed a Solar Photovoltaic system at Purdy Elementary. This falls in line with the District's prior efforts of geothermal system installations, solar system installations, and other energy efficiency measures that continue to reduce the amount of funds the District must spend to operate and allows for a reallocation of those funds to teaching and learning activities. Along with the savings opportunities of these projects comes an educational component for students and an awareness of green energy alternatives for our next generation of leaders.
- Open enrollment enables students to attend a school in a neighboring district as non-residents. The number of students coming to the District minus the number leaving (net gain) has been steadily increasing over the past several years. In 2009-10 the District realized a net gain of \$572,855. The transfer of tuition from other school districts significantly increases resources available to the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

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

- The *Statement of Net Assets and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010

(Continued)

The *notes to the financial statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010

(Continued)

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets. • 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 Assets • Statement of Changes in Fiduciary Net Assets
Basis of accounting and measurement focus	<p>Accrual accounting</p> <p>Economic resources focus</p>	<p>Modified accrual accounting</p> <p>Current financial resources focus</p>	<p>Accrual accounting</p> <p>Economic resources focus</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions or deductions during the year, regardless of when cash is received and paid

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

DISTRICT WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Assets reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating, respectively. 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.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* - Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. 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
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net assets for the year ended June 30, 2010. The District's combined net assets increased by \$1,354,831 (7%) to \$20,370,810. Specific causes of the increases are discussed later in this document.

Table 1		
Condensed Statement of Net Assets		
Total School District		
	<u>For the Year Ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Current and other assets	\$ 12,211,527	\$ 13,241,745
Capital assets	<u>36,672,612</u>	<u>35,678,613</u>
TOTAL ASSETS	48,884,139	48,920,358
Long-term debt	24,459,549	20,228,274
Other liabilities	<u>5,408,611</u>	<u>8,320,274</u>
TOTAL LIABILITIES	29,868,160	28,548,548
Net assets:		
Invested in capital assets, net of related debt	14,037,612	14,723,613
Restricted	984,241	974,903
Unrestricted	<u>3,994,126</u>	<u>4,672,294</u>
TOTAL NET ASSETS	<u>\$ 19,015,979</u>	<u>\$ 20,370,810</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

Table 2 provides summarized operating results and their impact on net assets.

Table 2		
Changes in Net Assets from Operating Results		
Total School District		
	<u>For the Year Ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Revenues		
Program Revenues		
Charges for services	\$ 1,807,796	\$ 2,006,189
Operating grants & contributions	2,891,962	3,497,701
Capital grants & contributions	230,286	159,727
General Revenues		
Property taxes	13,733,882	14,327,008
State formula aid	14,956,020	15,328,482
Other	<u>200,030</u>	<u>138,189</u>
TOTAL REVENUES	33,819,976	35,457,296
Expenses		
Instruction	18,793,761	19,806,688
Pupil & instructional services	3,091,224	3,056,509
Administration & finance	2,307,920	2,296,328
Maintenance & operations	3,971,601	3,958,388
Transportation	824,986	966,351
Food Service	1,252,446	1,362,596
Interest on debt	1,234,639	751,211
Other	<u>1,711,686</u>	<u>1,904,394</u>
TOTAL EXPENSES	<u>33,188,263</u>	<u>34,102,465</u>
INCREASE (DECREASE)		
IN NET ASSETS	<u>\$ 631,713</u>	<u>\$ 1,354,831</u>

The District relies primarily on property taxes (40.4% of total governmental revenues), and state formula aid (43.2%) to fund governmental activities.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

Table 3 presents the cost of the eight major 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.

Table 3				
Net Cost of Government Activities				
	Year Ended June 30, 2009		Year Ended June 30, 2010	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Expenses				
Instruction	\$ 18,793,761	\$ 15,602,619	\$ 19,806,688	\$ 15,850,182
Pupil & instructional services	3,091,224	2,989,672	3,056,509	2,967,898
Administration & finance	2,307,920	2,307,920	2,296,328	2,296,328
Maintenance & operations	3,971,601	3,710,616	3,958,388	3,772,773
Transportation	824,986	760,353	966,351	900,166
Food Service	1,252,446	(34,308)	1,362,596	20,668
Interest on debt	1,234,639	1,234,639	751,211	751,211
Other	1,711,686	1,686,708	1,904,394	1,879,622
TOTAL EXPENSES	<u>\$ 33,188,263</u>	<u>\$ 28,258,219</u>	<u>\$ 34,102,465</u>	<u>\$ 28,438,848</u>

The cost of all governmental activities this year was \$33,188,263. Individuals who directly participated in or benefited from a program offering, paid for \$2,006,189 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,657,428. The net cost of governmental activities (\$28,485,648) was financed by general revenues of the District (\$14,327,008 property taxes, \$15,328,482 state formula aid, and \$138,189 other).

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$9,938,869 up from last year's ending fund balance of \$8,907,767.

- The general fund had an increase in fund balance of \$1,040,440. This increase is largely due to one-time events that occurred during fiscal 2010. Some of these include less long-term substitute teachers, decrease in retirement costs due to the refinancing of the liability, and decreased spending on supplies and maintenance services. The District is also beginning to reap the benefits of the energy efficiency initiatives it has implemented over the past several years. Spending on gas and electricity in fiscal 2010 was below fiscal 2001 levels. These energy savings should be ongoing and will greatly help the District's fiscal situation into the future.
- The debt service fund had a decrease of \$23,101. The debt service fund balance will fluctuate because the reserve that is needed at the end of the fiscal year depends on the debt repayment schedule which varies from year to year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in May for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations, an *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 District's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues of \$29,177,101 and expenditures of \$29,123,877.

Actual results for the year show revenues exceeding expenditures by \$1,040,440. Much of this can be attributed to one-time occurrences as was discussed previously along with beginning to reap the benefits of the energy efficiency measures implemented over the past several years.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the District had invested \$35,678,613 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$20,300,000. Asset acquisitions for governmental activities totaled \$285,563. The District recognized depreciation expense of \$1,266,077. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

Table 4			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Total % Change
	2009	2010	2009-10
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	49,337,905	49,414,915	0.2%
Furniture and equipment	5,726,257	5,497,700	-4.0%
Accumulated depreciation	(19,457,548)	(20,300,000)	4.3%
TOTAL	\$ 36,672,612	\$ 35,678,613	-2.7%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2010
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At year-end the District had \$25,348,858 in bonds payable and other long-term debt outstanding – a decrease of \$1,322,206 (4.9%) from fiscal year 2009. This decrease resulted from scheduled debt repayment. (Detailed information about the District’s long-term liabilities is presented in Note 4 to the financial statements.)

Table 5			
Outstanding Long-term Obligations			
	Total School District		Total %
	2009	2010	Change 2009-10
General obligation bonds	\$ 22,635,000	\$ 20,955,000	-7.4%
Note anticipation notes	--	3,040,000	100.0%
Retirement stipends	147,750	150,750	2.0%
Compensated absences	210,506	267,027	26.9%
Other post employment benefits	494,672	936,081	100.0%
Prior service liability - WRS	3,229,936	--	-100.0%
TOTAL	\$ 26,717,864	\$ 25,348,858	-5.1%

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

SCHOOL DISTRICT OF FORT ATKINSON
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Management Discussion & Analysis

June 30, 2010
(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the District's financial status in the future are:

- The School District's administrative staff offered to the Board of Education to take a pay freeze in 2010-11. This offer was accepted by the Board and will be implemented in the 2010-11 fiscal year.
- In June, 2010 the District voluntarily settled a negotiated agreement with its' locally represented AFSCME unit (custodians & cooks) for the years 2010 – 2012. This agreement calls for a \$0.28 per hour wage schedule increase in 2010-11 and a wage schedule freeze in 2011-12. This results in a two-year average total package increase of 3.69% which is well below prior negotiated agreements averaging approximately 4.50% per year and is in line with the agreement the District reached with its' teacher's union and administrative staff.
- In August, 2010 the District paid off the short-term notes that were issued to refinance its' outstanding prior service liability with the State of Wisconsin retirement system. This payoff was done by utilizing the District's general fund balance and will result in the District needing to borrow for cash flow needs at certain points throughout the fiscal year.
- A Community Task Force was assembled in early 2010 to examine the District's financial outlook and make recommendations to the Board of Education as to ways to balance the budget over the next five year period once the current operating referendum expires at the end of fiscal 2011. This group has recommended that the Board attempt another referendum to exceed the state imposed revenue limits by \$694,000 per year for five years. This is the same amount that was approved in 2006 by the voters. The Task Force also recommended that the District look for ways to enhance revenues outside of the revenue limit and make expenditure reductions through a combination of lower negotiated agreements with staff and evaluating all programs and services offered by the District.
- The Board of Education is currently in negotiations with its' support staff unit for a 2010 – 2012 agreement. After several sessions the two parties have agreed to file an arbitration petition and it is expected that the mediation process will begin in late 2010 or early 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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 Jason Demerath, Business Manager, School District of Fort Atkinson, (920) 563-7800, 201 Park Street, Fort Atkinson, WI 53538.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Current assets	
Cash	\$ 7,394,456
Taxes receivable	4,676,414
Accounts receivable	198,670
Due from other governments	941,641
Inventory	8,580
Prepaid expense	21,984
Total current assets	13,241,745
Noncurrent assets	
Capital assets	55,978,613
Less: accumulated depreciation	(20,300,000)
Total noncurrent assets	35,678,613
Total assets	\$ 48,920,358
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 15,284
Withholdings and related district fringes payable	1,839,850
Accrued interest	227,398
Accrued salaries and related items	1,333,233
Deferred revenues	114,509
Current portion of long-term debt	4,790,000
Total current liabilities	8,320,274
Noncurrent liabilities	
Long-term obligations	19,205,000
Accrued vacation and stipends	417,777
Other post-employment benefits	936,081
Unamortized loss on refunding	(329,584)
Total noncurrent liabilities	20,229,274
Total liabilities	28,549,548
Net Assets	
Invested in capital assets, net of related debt	14,723,613
Restricted for:	
Debt service	876,236
Community service	17,197
Food service	79,386
Other activities	2,084
Unrestricted	4,672,294
Total net assets	20,370,810
Total liabilities and net assets	\$ 48,920,358

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Statement of Activities
Year Ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular instruction	\$ 13,019,370	\$ 1,026,444	\$ 530,544	\$ ---	\$ (11,462,382)
Special education instruction	4,271,568	110,150	2,237,123	---	(1,924,295)
Vocational instruction	1,126,211	---	---	---	(1,126,211)
Other instruction	1,389,539	52,245	---	---	(1,337,294)
Total instruction	19,806,688	1,188,839	2,767,667	---	(15,850,182)
Support services:					
Pupil services	1,357,253	---	---	---	(1,357,253)
Instructional staff services	1,699,256	---	88,611	---	(1,610,645)
Administration services	2,296,328	---	---	---	(2,296,328)
Operation and maintenance of plant	3,958,388	25,888	---	159,727	(3,772,773)
Pupil transportation	966,351	---	66,185	---	(900,166)
Central services	602,401	---	---	---	(602,401)
Other support services	257,001	---	---	---	(257,001)
Community services	23,488	24,772	---	---	1,284
Food service	1,362,596	766,690	575,238	---	(20,668)
Interest on long-term debt	751,211	---	---	---	(751,211)
Unallocated depreciation**	1,021,504	---	---	---	(1,021,504)
Total support services	14,295,777	817,350	730,034	159,727	(12,588,666)
Total school district	\$ 34,102,465	\$ 2,006,189	\$ 3,497,701	\$ 159,727	(28,438,848)

General revenues:

Taxes:	
Property taxes, levied for general purposes	11,717,829
Property taxes, levied for debt service	2,542,189
Property taxes, levied for specific purposes	61,697
Other taxes	5,293
Federal and state aid not restricted to specific purposes:	
General	15,328,482
Other	59,816
Interest and investment earnings	20,498
Loss on disposal of assets	(13,485)
Miscellaneous	71,360
Changes in net assets	1,354,831
Net assets - beginning of year	19,015,979
Net assets - end of year	\$ 20,370,810

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General</u>	<u>Special Education</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 6,336,556	\$ 71,109	\$ 876,236	\$ 110,555	\$ 7,394,456
Taxes receivable	4,676,414	---	---	---	4,676,414
Accounts receivable	196,362	---	---	2,308	198,670
Due from other governments	490,618	433,176	---	17,847	941,641
Inventory	---	---	---	8,580	8,580
Prepaid expense	21,984	---	---	---	21,984
Total assets	\$ 11,721,934	\$ 504,285	\$ 876,236	\$ 139,290	\$ 13,241,745
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,905	\$ 7,325	\$ ---	\$ 54	\$ 15,284
Withholdings and related district fringes payable	1,568,215	257,559	---	14,076	1,839,850
Accrued payroll	1,085,579	239,401	---	8,253	1,333,233
Deferred revenues	96,269	---	---	18,240	114,509
Total liabilities	2,757,968	504,285	---	40,623	3,302,876
Fund Balances					
Reserved	947,385	---	876,236	98,667	1,922,288
Unreserved	8,016,581	---	---	---	8,016,581
Total fund balances	8,963,966	---	876,236	98,667	9,938,869
 Total liabilities and fund balances	 \$ 11,721,934	 \$ 504,285	 \$ 876,236	 \$ 139,290	 \$ 13,241,745

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets**

June 30, 2010

Total fund balances - governmental funds \$ 9,938,869

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 55,978,613	
Accumulated depreciation	<u>(20,300,000)</u>	
		35,678,613

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	23,995,000	
Unamortized loss on refunding	(329,584)	
Accrued vacation and stipends	<u>417,777</u>	
		(24,083,193)

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (936,081)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds. (227,398)

Total net assets - governmental activities \$ 20,370,810

The accompanying notes to financial statements are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	<u>General</u>	<u>Special Education</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local	\$ 12,249,007	\$ ---	\$ 2,545,316	\$ 793,200	\$ 15,587,523
Interdistrict payments within Wisconsin	844,418	110,150	---	---	954,568
Intermediate sources	2,686	12,393	---	---	15,079
State	14,870,649	997,239	---	28,935	15,896,823
Federal	1,171,633	1,227,491	---	546,303	2,945,427
Other	71,360	---	---	---	71,360
Total revenues	29,209,753	2,347,273	2,545,316	1,368,438	35,470,780
Expenditures:					
Instruction:					
Current	15,226,275	3,715,310	---	---	18,941,585
Interdistrict	402,346	22,746	---	---	425,092
Capital outlay	142,160	3,360	---	---	145,520
Support Services:					
Current	9,879,752	983,143	---	1,354,675	12,217,570
Capital outlay	140,042	---	---	---	140,042
Debt service	1,452	---	2,584,342	---	2,585,794
Total expenditures	25,792,027	4,724,559	2,584,342	1,354,675	34,455,603
Excess (deficiency) of revenues over (under) expenditures	3,417,726	(2,377,286)	(39,026)	13,763	1,015,177
Other Financing Sources (uses):					
Operating transfers in	---	2,377,286	---	---	2,377,286
Operating transfers out	(2,377,286)	---	---	---	(2,377,286)
Other financing uses - WRS payoff	---	---	(3,024,075)	---	(3,024,075)
Debt proceeds	---	---	3,040,000	---	3,040,000
Other financing sources	---	---	---	---	---
Total other financing sources (uses)	(2,377,286)	2,377,286	15,925	---	15,925
Net change in fund balances	1,040,440	---	(23,101)	13,763	1,031,102
Fund Balances - Beginning of year	7,923,526	---	899,337	84,904	8,907,767
Fund Balances - End of year	\$ 8,963,966	\$ ---	\$ 876,236	\$ 98,667	\$ 9,938,869

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**

Year Ended June 30, 2010

Total net change in fund balances - governmental funds \$ 1,031,102

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. The amount by which depreciation expense exceeds capital outlays is as follows:

Depreciation expense	\$ (1,266,077)	
Capital outlays	<u>285,563</u>	(980,514)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (13,485)

The District made less than the required annual contribution to fund their post-employment benefit liability resulting in a liability. The post-employment benefit liability is not currently payable and thus not reported in the governmental funds. (441,409)

Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (3,040,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Bonds payable	1,680,000	
Unfunded pension liability	<u>3,229,936</u>	4,909,936

Amortization reduces the balance of the respective liability. The amortization is an expenditure in the statement of net assets, but it is not shown in the governmental funds:

Amortization of dererred expense in advance refunding		(47,083)
---	--	----------

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (56,521)

In the statement of activities stipends payable are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (3,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (4,195)

Change in net assets of governmental activities \$ 1,354,831

The accompanying notes to financial statements are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Statement of Fiduciary Net Assets

June 30, 2010

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets			
Cash	\$ 46,749	\$ 57,157	\$ 131,509
Investments	771,923	54,270	---
Total assets	<u>\$ 818,672</u>	<u>\$ 111,427</u>	<u>\$ 131,509</u>
Liabilities and Net Assets			
Liabilities			
Due to student groups	\$ ---	---	131,509
Net assets			
Reserved	818,672	111,427	---
Total liabilities and net assets	<u>\$ 818,672</u>	<u>\$ 111,427</u>	<u>\$ 131,509</u>

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2010

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
Additions		
Net investment income	\$ 101,010	\$ 3,998
Contributions to employee benefit trust	---	636,071
Total additions	101,010	640,069
Deductions		
Trust fund disbursements	26,018	605,781
Change in net assets	74,992	34,288
Net assets - June 30, 2009	743,680	77,139
Net assets - June 30, 2010	<u>\$ 818,672</u>	<u>\$ 111,427</u>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies

A. Introduction

The School District of Fort Atkinson is organized as a common school district. The District, governed by a five-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the School District of Fort Atkinson have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

District-Wide Statements

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Special Education Fund – This fund accounts for activities associated with providing educational programs for students with disabilities. Sources include financial aid received from the state and federal government and payments from other school districts. Excess expenditures of the fund are financed with a transfer from the general fund.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund. The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund.

D. Measurement Focus and Basis of Accounting

The district-wide, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange 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 taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. 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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

E. Deposits and Investments

The District's 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.

State statutes permit the District to 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 government pooled-investment fund.

F. Receivables and Payables

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

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

G. Interfund Transactions

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2010 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
General operations	Special Education Fund	General Fund	\$ <u>2,377,286</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 300	Straight-line	50 years
Equipment and furniture	300	Straight-line	5 - 20 years

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance Reserves

Reservations of equity represent amounts that are not subject to appropriation and/or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

K. Accumulated Unpaid Vacation, Sick Pay, 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.

Liabilities and the related expenses for vacation benefits are recognized when earned. Liabilities for vacation benefits are reflected as accrued liabilities in the statement of net assets.

The District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Other Assets

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year's cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

N. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 11, 2010). The following subsequent event required disclosure:

On August 16, 2010 the District fully paid off the \$3,040,000 WRS Note Anticipation Notes with existing fund balance. Funds were transferred from Fund 10 to Fund 38 and the payoff was made from Fund 38.

2. Cash and Investments

Cash and investments as shown on the District's statement of net assets are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Demand deposits	\$ 7,525,966	Custodial
Money market	103,906	Custodial
Fixed income securities	133,095	Interest rate and credit
Mutual funds	225,464	Interest rate and credit
Equity securities	467,633	Interest rate and credit
Total cash and investments	<u>\$ 8,456,064</u>	

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

Statement of net assets:	
Cash	\$ 7,394,456
Statement of fiduciary net assets:	
Cash	235,415
Investments	<u>826,193</u>
Total cash and investments	<u>\$ 8,456,064</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

2. Cash and Investments (Continued)

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

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

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits were \$7,525,966 at June 30, 2010 and the bank's carrying value was \$7,726,933, of which \$800,604 was fully insured and \$6,921,928 was collateralized by pledged securities; \$4,401 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

Custodial Risk – Investment: Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Government activities:				
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ 1,065,998
Buildings and improvements	49,337,905	77,010	---	49,414,915
Equipment	5,726,257	208,553	(437,110)	5,497,700
Total capital assets	56,130,160	285,563	(437,110)	55,978,613
Less accumulated depreciation	(19,457,548)	(1,266,077)	423,625	(20,300,000)
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 36,672,612</u>	<u>\$ (980,514)</u>	<u>\$ (13,485)</u>	<u>\$ 35,678,613</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 77,237
Special education instruction	3,523
Vocational instruction	7,015
Other instruction	6,870
Co-curricular instruction	48,236
Pupil services	5,051
Instructional staff services	550
General administration	278
Administrative services	4,703
Operation and maintenance of plant	33,219
Pupil transportation	14,183
Food service	20,508
Central services	23,200
Unallocated depreciation	1,021,504
Total depreciation for governmental activities	<u>\$ 1,266,077</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

4. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2009	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2010	Amounts due within <u>one year</u>
G.O. Bonds	\$ 22,635,000	\$ ---	\$ 1,680,000	\$ 20,955,000	\$ 1,750,000
Notes	---	3,040,000	---	3,040,000	3,040,000
Retirement stipends	147,750	3,000	---	150,750	---
Compensated absences	210,506	56,521	---	267,027	---
Other post-employment benefits	494,672	1,100,880	659,471	936,081	---
Prior service liability - WRS	3,229,936	---	3,229,936	---	---
Total	\$ 26,717,864	\$ 4,200,401	\$ 5,569,407	\$ 25,348,858	\$ 4,790,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2010 on long-term liabilities was \$892,814 and \$897,008.

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

General obligation debt at June 30, 2010 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	Balance June 30, 2010
G.O. Refunding Bond	1/4/08	4.0%	04/01/16	\$ 6,635,000
G.O. Refunding Bond	01/15/04	2 to 3.75%	04/01/16	4,135,000
G.O. Refunding Bond	2/1/07	4 to 4.15%	4/1/2021	9,220,000
G.O. Promissory Note	4/4/07	4 to 4.25%	4/1/2017	965,000
WRS Note Anticipation Note	1/28/10	1.4%	8/16/2010	3,040,000
Total				\$ 23,995,000

The 2009 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,477,654,081. The legal debt limit and margin of indebtedness as of June 30, 2010, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,477,654,801)	\$ 147,765,408
Deduct long-term debt applicable to debt margin	<u>23,995,000</u>
Margin of indebtedness	<u>\$ 123,770,408</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

4. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2010 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,790,000	\$ 854,972	\$ 5,644,972
2012	1,815,000	765,470	2,580,470
2013	1,885,000	696,095	2,581,095
2014	1,965,000	623,208	2,588,208
2015	2,040,000	546,358	2,586,358
2016-2020	9,455,000	1,579,618	11,034,618
2021-2025	2,045,000	84,867	2,129,867
Totals	<u>\$ 23,995,000</u>	<u>\$ 5,150,087</u>	<u>\$ 29,145,587</u>

5. Excess of Actual Expenditures Over Budget in Individual Funds

The following major fund functions had an excess of actual expenditures over budget for the year ended June 30, 2010:

Fund 10:

Other instruction	\$	57,673
Pupil services		15,733
School building administration		6,064
Insurance and Judgments		7,184
Other support services		1,328
Purchased instructional services		11,256
Other non-program transactions		2,254

6. Fund Balances

Portions of fund balances are reserved as follows:

General Fund		
Prepays	\$	21,984
2006 Referendum		781,024
Next Years Budget		135,038
Encumbrances		9,339
Special Revenue Trust		2,084
Debt Service		876,236
Food Service		79,386
Community Service		17,197
	<u>\$</u>	<u>1,922,288</u>

The entire balance of the general fund unreserved fund balance has been designated by the school board as working capital.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

7. Employee Retirement Plans

All eligible School District of Fort Atkinson employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (440 hours a year for teachers and 440 hours for Educational Support Staff effective July 1, 2009) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the Plan. Employers may make these contributions to the Plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for School District of Fort Atkinson employees covered by the WRS for the year ended June 30, 2010 was \$16,272,180; the employer's total payroll was \$17,069,420. The total required contribution for the year ended June 30, 2010 was \$1,618,846 which consisted of \$748,164, or 4.6% of payroll from the employer and \$870,682, or 5.4% of payroll from employees. Total contributions for the year ending June 30, 2009 and 2008 were \$1,711,141 and \$1,727,023, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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 retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

8. School District of Fort Atkinson Post-Employment Benefits Trust

The School District of Fort Atkinson Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's OPEB liability relating to medical insurance premiums. The trust does not require any employee or employer contributions. Employees participating in the OPEB benefit consisted of the following at July 1, 2008, the date of the latest actuarial valuation:

Retirees	40
Active	<u>332</u>
Number of participating employees	<u><u>372</u></u>

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

8. School District of Fort Atkinson Post-Employment Benefits Trust (Continued)

Annual required contribution	\$	1,073,673
Interest adjustment		27,207
Amortization factor adjustment		(23,400)
Contributions made		(636,071)
Increase in net OPEB obligation		441,409
Net OPEB obligation – beginning of year		494,672
Net OPEB obligation – end of year	\$	936,081

Fiscal year 2009 was the year of implementation of GASB Statement Nos. 43 and 45 and the District has elected to implement prospectively.

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2008) is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2006	\$ ---	\$ 7,084,590	\$ 7,084,590	0.00%	N/A	N/A
7/1/2008	\$ 51,746	\$ 10,698,384	\$ 10,646,638	0.48%	N/A	N/A

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

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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 to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2010
(Continued)

8. School District of Fort Atkinson Post-Employment Benefits Trust (Continued)

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2008
Actuarial cost method	Unit credit
Amortization method	30 year open level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.50%
Projected payroll increases	3.00%
Medical care trend*	12.00% decreasing by 1.00% per year down to 5.00%

* implicit in these rates is an assumed rate of inflation of 4.00%

The history of employer contributions is as follows:

Schedules of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2007	\$ 733,559	\$ 512,000	69.80%	N/A
2008	772,696	625,964	81.01%	N/A
2009	1,073,673	579,001	53.93%	494,672
2010	1,073,673	636,071	59.24%	437,602

9. Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. 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 referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

10. Risk Management

The School District of Fort Atkinson is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Notes to Financial Statements

June 30, 2010

(Continued)

11. Operating Leases

The District has leases on a number of its copiers. Future payments on these leases are as follows:

Year ended	
<u>June 30,</u>	
2011	\$ 72,760
2012	66,031
2013	32,658
2014	<u>10,245</u>
Total	\$ <u>181,694</u>

12. Litigation

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2010, are not likely to have a materially adverse impact on the District's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable
				(Unfavorable)
Revenues:				
Local	\$ 12,067,377	\$ 12,077,377	\$ 12,249,007	\$ 171,630
Interdistrict payments within Wisconsin	817,561	819,442	844,418	24,976
Intermediate sources	---	3,000	2,686	(314)
State	15,677,156	15,677,156	14,870,649	(806,507)
Federal	583,007	604,732	1,171,633	566,901
Other	32,000	36,750	71,360	34,610
Total revenues	<u>29,177,101</u>	<u>29,218,457</u>	<u>29,209,753</u>	<u>(8,704)</u>
Expenditures:				
Instruction:				
Current	15,660,769	15,715,096	15,226,275	488,821
Interdistrict	405,656	405,656	402,346	3,310
Capital outlay	131,830	151,325	142,160	9,165
Support Services:				
Current	10,408,117	10,357,057	9,879,752	477,305
Capital outlay	58,495	76,218	140,042	(63,824)
Debt service	2,000	2,000	1,452	548
Total expenditures	<u>26,666,867</u>	<u>26,707,352</u>	<u>25,792,027</u>	<u>915,325</u>
Excess of revenues over expenditures	2,510,234	2,511,105	3,417,726	906,621
Other Financing Sources (uses):				
Operating transfers out	<u>(2,457,010)</u>	<u>(2,457,010)</u>	<u>(2,377,286)</u>	<u>79,724</u>
Net change in fund balances	53,224	54,095	1,040,440	986,345
Fund Balances - Beginning of year	<u>7,923,526</u>	<u>7,923,526</u>	<u>7,923,526</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 7,976,750</u>	<u>\$ 7,977,621</u>	<u>\$ 8,963,966</u>	<u>\$ 986,345</u>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Interdistrict payments within Wisconsin	\$ 119,840	\$ 119,840	\$ 110,150	\$ (9,690)
Intermediate sources	10,000	10,000	12,393	2,393
State	991,532	991,532	997,239	5,707
Federal	1,301,696	1,302,863	1,227,491	(75,372)
Total revenues	2,423,068	2,424,235	2,347,273	(76,962)
Expenditures:				
Instruction:				
Current	3,798,565	3,792,732	3,715,310	77,422
Interdistrict	32,215	32,215	22,746	9,469
Capital outlay	20,393	27,393	3,360	24,033
Support Services:				
Current	1,028,905	1,028,905	983,143	45,762
Total expenditures	4,880,078	4,881,245	4,724,559	156,686
Deficiency of revenues over expenditures	(2,457,010)	(2,457,010)	(2,377,286)	79,724
Other Financing Sources (uses):				
Operating transfers in	2,457,010	2,457,010	2,377,286	(79,724)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	\$ ---	\$ ---	\$ ---	\$ ---

The accompanying notes to financial statements
are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Special</u>			
	<u>Revenue</u>	<u>Food</u>	<u>Community</u>	
	<u>Trust</u>	<u>Service</u>	<u>Service</u>	<u>Total</u>
Assets				
Cash	\$ 2,084	\$ 91,220	\$ 17,251	\$ 110,555
Accounts receivable	---	2,308	---	2,308
Due from other governments	---	17,847	---	17,847
Inventory	---	8,580	---	8,580
	<u>\$ 2,084</u>	<u>\$ 119,955</u>	<u>\$ 17,251</u>	<u>\$ 139,290</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ ---	\$ ---	\$ 54	\$ 54
Withholdings and related district fringes payable	---	14,076	---	14,076
Accrued payroll	---	8,253	---	8,253
Deferred revenues	---	18,240	---	18,240
Total liabilities	<u>---</u>	<u>40,569</u>	<u>54</u>	<u>40,623</u>
Fund Balances				
Reserved	<u>2,084</u>	<u>79,386</u>	<u>17,197</u>	<u>98,667</u>
Total liabilities and fund balances	<u>\$ 2,084</u>	<u>\$ 119,955</u>	<u>\$ 17,251</u>	<u>\$ 139,290</u>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Special</u>		<u>Community</u>	
	<u>Revenue</u>	<u>Food</u>	<u>Service</u>	<u>Total</u>
	<u>Trust</u>	<u>Service</u>	<u>Service</u>	<u>Total</u>
Revenues:				
Local	\$ 1,475	\$ 766,953	\$ 24,772	\$ 793,200
State	---	28,935	---	28,935
Federal	---	546,303	---	546,303
Total revenues	1,475	1,342,191	24,772	1,368,438
Expenditures:				
Support Services:				
Current	1,836	1,329,350	23,489	1,354,675
Total expenditures	1,836	1,329,350	23,489	1,354,675
Excess (deficiency) of revenues over (under) expenditures	(361)	12,841	1,283	13,763
Fund Balances - Beginning of year	2,445	66,545	15,914	84,904
Fund Balances - End of year	<u>\$ 2,084</u>	<u>\$ 79,386</u>	<u>\$ 17,197</u>	<u>\$ 98,667</u>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2010

	Balance			Balance
	<u>7/1/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/10</u>
Assets				
Cash	\$ 125,136	\$ 523,468	\$ (517,095)	\$ 131,509
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Due to student groups				
High School	\$ 92,193	\$ 441,523	\$ (433,600)	\$ 100,116
Middle School	20,008	61,139	(62,333)	18,814
Barrie Elementary School	6,328	5,718	(8,984)	3,062
Rockwell Elementary School	6,607	11,701	(12,178)	6,130
Luther Elementary School	---	3,387	---	3,387
Total liabilities and net assets	\$ 125,136	\$ 523,468	\$ (517,095)	\$ 131,509
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2010

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Deferred) Revenue at 7/1/09	Receipts	State Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/10
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 997,138	\$ 997,138	\$ ---
State school lunch	255.102	---	13,395	13,395	---
Common school fund library aid	255.103	---	88,611	88,611	---
Pupil transportation	255.107	---	66,185	66,185	---
Wisconsin morning milk program	255.109	---	6,061	6,061	---
Equalization aids	255.201	243,699	14,977,820	15,007,015	272,894
High cost special education aid	255.210	---	101	101	---
School breakfast program	255.344	---	9,479	9,479	---
Grants for advanced placement courses	255.351	---	3,175	3,175	---
Mentoring	255.355	---	3,375	3,375	---
Four-Year-Old Kindergarten Grants	255.360	---	135,086	135,086	---
Passed through CESA					
Special education and school-age parents	255.101	---	12,393	12,393	---
Total state assistance		<u>\$ 243,699</u>	<u>\$ 16,312,819</u>	<u>\$ 16,342,014</u>	<u>\$ 272,894</u>

** Total DPI aidable expenditures for the year ended June 30, 2010 were \$3,591,420.

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Deferred) Revenue at 7/1/09	Receipts	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/10
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ 5,759	\$ 74,392	\$ 71,611	\$ 2,978
Donated Commodities	10.555	---	81,501	81,501	---
Food Service Aid - Lunch	10.555	17,462	395,783	393,190	14,869
Nutrition Cluster Subtotal		<u>23,221</u>	<u>551,676</u>	<u>546,302</u>	<u>17,847</u>
Total U.S. Department of Agriculture		23,221	551,676	546,302	17,847
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
Title 1 Cluster:					
ESEA Title 1A Basic	84.010	97,140	266,810	224,291	54,621
ARRA - ESEA Title I-A	84.389	---	---	28,659	28,659
Title 1 Cluster Subtotal		<u>97,140</u>	<u>266,810</u>	<u>252,951</u>	<u>83,281</u>
Special Education Cluster:					
High Cost Special Education	84.027	---	2,155	2,231	76
Idea Flow Through	84.027	226,389	641,443	543,648	128,593
Idea Preschool Entitlement	84.173	1,358	8,071	11,300	4,588
ARRA - IDEA Flow Through	84.391	---	161,604	451,780	290,176
ARRA - IDEA Preschool Entitlement	84.392	---	25,009	30,198	5,189
Special Education Cluster Subtotal		<u>227,747</u>	<u>838,282</u>	<u>1,039,157</u>	<u>428,622</u>
Technology Cluster:					
Title 2D Technology	84.318	1,374	1,374	2,224	2,224
ARRA - ESEA Title II-D education technology	84.386	---	---	4,350	4,350
Technology Cluster Subtotal		<u>1,374</u>	<u>1,374</u>	<u>6,574</u>	<u>6,574</u>
Title 4 AODA	84.186	3,878	5,241	6,352	4,989
ESEA Title 2A Teacher Principal Training	84.367	66,055	90,616	39,470	14,909
ESEA Title 3A English Language Acquisition	84.365	24,202	40,300	54,892	38,794
ARRA-State Fiscal Stabilization	84.394	---	811,395	811,395	---
Passed through the School District of Jefferson					
Carl Perkins	84.048	9,742	9,742	14,897	14,897
Total U.S. Department of Education		<u>430,138</u>	<u>2,063,760</u>	<u>2,225,687</u>	<u>592,065</u>
U.S. Department of Health and Human Services					
Medical Assistance Program	93.778	668	189,003	188,335	---
Total Awards		<u>\$ 454,027</u>	<u>\$ 2,804,439</u>	<u>\$ 2,960,324</u>	<u>\$ 609,912</u>

The accompanying notes to financial statements
are an integral part of these statements.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2010

1. General

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Richard A. Raymaker
Steven C. Barney
Steven R. Volz
Daniel R. Brophey
Thomas G. Wieland
Michael W. Van Wagenen



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Certified Public Accountants & Consultants

Celebrating Over 100 Years of Client Service

David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
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Patrick G. Hoffert

**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 School Board
School District of Fort Atkinson
Fort Atkinson, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of Fort Atkinson's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters involving the internal control over financial reporting that we have reported to management of the School District of Fort Atkinson in a separate letter dated November 11, 2010.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the School Board, management and federal and state awarding agencies and pass-through entities and is not intended to and should not be used by anyone other than these specified parties.

November 11, 2010
Milwaukee, Wisconsin

Richard A. Raymaker
Steven C. Barney
Steven R. Volz
Daniel R. Brophey
Thomas G. Wieland
Michael W. Van Wageningen



Reilly, Penner & Benton LLP
Certified Public Accountants & Consultants

Celebrating Over 100 Years of Client Service

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

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

Compliance

We have audited the School District of Fort Atkinson's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the School District of Fort Atkinson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*, and which are described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2 and 2010-3.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The 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. We did not audit the School District of Fort Atkinson's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the school board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

November 11, 2010
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Finding 2009-1 Special education and school-age parents

Finding: The District charged \$1,071 as aidable cost for their school nurse; however, based on Wisconsin Act 221 Addenda, the maximum amount the District can claim is \$379. Total questioned costs equal \$692.

District's Response: The amount of \$1,071 charged to this area is a result of accounting for the Other Post Employment Benefits (OPEB) transaction for an individual employee. According to guidelines established by WI DPI to account for the OPEB transaction, the payment to the trust should be spread proportionately across the functional areas in which FTE's or payment to employees is made. The issue here is that we contract for our school nurse with the local hospital; however, we have an employee who is that contracted person's assistant to help her with things across the district when the nurse is not available. The assistant is not a registered or licensed nurse, and is not required to be, as a portion of this individual's salary and benefits come out of the federal Flow-Through grant with the remainder coming from the general fund (Fund 10). None of this assistant's salary and benefits comes from an aidable expense account.

This assistant serves in a school health capacity and therefore receives her pay and benefits from the nursing account(s) (function 214100). So, when the OPEB transaction is coded according to the WI DPI guidelines, \$1,071 is allocated to this individual where her regular pay is charged, function 214100. The transaction coding for OPEB is not determined by whether the individual is paid for with grant money or district money, simply the functional area (214100) that they are paid from. According to Act 221, the District is not allowed to charge aidable expenses to function 214100 because we contract for the nursing services and do not have a licensed individual as an employee. However, the WI DPI guidelines for the OPEB transaction accounting contradict Act 221.

Status: This was not a finding in the current year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

A. Summary of Auditors Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| A. Significant deficiency(s) identified that are not considered to be material weaknesses? | No |
| B. Material weaknesses identified? | No |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| A. Significant deficiency(s) identified that are not considered to be material weaknesses? | No |
| B. Material weaknesses identified? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |
| 7. Identification of major programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Title 1 Cluster</u>
84.010	ESEA Title 1A Basic
84.389	ARRA – ESEA Title 1A
	<u>Special Education Cluster</u>
84.027	IDEA Flow Through Entitlement and High Cost
84.173	IDEA Preschool Entitlement
84.391	ARRA – IDEA Flow Through
84.392	ARRA – Preschool Entitlement
	<u>State Fiscal Stabilization Fund Cluster</u>
84.394	ARRA – State Fiscal Stabilization Fund
	<u>Medical Assistance Program</u>
93.778	Medical Assistance Program

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
|--|-----------|

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010
(Continued)

A. Summary of Auditors Results (Continued)

Federal Awards (Continued)

9. Auditee qualified as low-risk auditee? Yes

State Awards

10. Internal control over financial reporting:

A. Significant deficiency(s) identified that are not considered to be material weaknesses? No

B. Material weaknesses identified? No

11. Type of auditor's report issued on compliance for major programs: Unqualified

12. Any audit findings disclosed that are required to be reported Yes

13. Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.107	Pupil Transportation Aid
255.201	Equalization Aid
255.210	High Cost Special Education Aid

B. Financial Statement Findings

No matters were reported

C. Federal and State Award Findings and Questioned Costs

2010-1

Department: N/A
Program Name: N/A
CFDA #: N/A

Condition and Criteria

Federal award guidelines require that the District track assets purchased with federal funds to ensure that they are in compliance with equipment and real property management grant requirements. The District currently does not track assets that are purchased with federal grant dollars.

Questioned Costs

N/A

Effect

The District can not ensure that they are in compliance with the equipment and real property grant requirements

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010
(Continued)

C. Federal and State Award Findings and Questioned Costs (Continued)

2010-1 (continued)

Cause

The District is not tracking assets purchased with federal grant dollars.

Recommendation

We recommend that the District take an inventory of assets purchased with federal grant dollars and any future purchases to ensure that they are in compliance with the equipment and real property management grant requirements.

District's Response

All assets purchased with federal grant funds in the School District of Fort Atkinson are used according to the rules associated with the particular grant. In the future these assets will be tagged so their purpose and funding source is easily identifiable.

2010-2

Department: Wisconsin Department of Public Instruction
Program Name: Pupil Transportation Aid
State ID #: 255.107

Condition and Criteria

The District must file annually with the Wisconsin DPI report PI-1547. District records do not match the PI-1547 for total number of students transported. The District was unable to provide detailed information for the number of transported students in attendance for 1-90 days and over 90 days. The District also included on the listing of students transported students on special education only routes.

Questioned Costs

Total students transported per District records were 747; students transported reported on the PI-1547 were 967, a difference of 220 students.

Effect

The District over reported transportation ridership on the PI-1547.

Cause

Reports provided to the District by the bus company were inadequate for proper reporting.

Recommendation

We recommend that the District provide the bus company the information that they will need for proper reporting to ensure that future information provided allows for accurate reporting.

District's Response

The District contracts its' transportation services with a third-party vendor. This third-party vendor provides the information needed for the District to submit the annual transportation report to the Wisconsin Department of Public Instruction. During the 2009-10 school year the vendor transitioned to a computerized student database and transportation planning software. As a result of this transition the reports needed for the audit of the transportation report could not be accurately produced. The District is currently working with its' transportation provider to ensure that the new computer system will accurately track student data as it pertains to transportation and that all rules and regulations related to counting students for the annual transportation report are being followed and proper supporting documentation can be produced.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010
(Continued)

2010-3

Department: Wisconsin Department of Public Instruction
Program Name: Pupil Transportation Aid
State ID #: 255.107

Condition and Criteria

The District must have a hazardous transportation in place to claim students in the 0-2 mile category on the PI-1547 filed with the Wisconsin DPI. The District was unable to provide auditors with a copy of a hazardous transportation plan; therefore auditors were unable to verify that students reported in the 0-2 mile category fall within the hazard zone.

Questioned Costs

A total of 77 students were reported on the PI-1547 in the 0-2 mile category.

Effect

The District over reported transportation ridership in the 0-2 mile category on the PI-1547.

Cause

The District does not have available a copy of the hazardous transportation plan.

Recommendation

We recommend that the District locate its hazardous transportation plan document. If one can not be located, a new one should be created.

District's Response

The District has not developed a hazardous transportation plan that outlines the hazardous areas within the District. The District's transportation provider does have local law enforcement review possible hazardous stops for their opinion. The District is currently working with its' transportation provider and will involve local law enforcement to develop a hazardous transportation plan that is intended to be in place by the end of the 2010-11 school year.