

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2011

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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, 2011, 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, 2011, 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 October 14, 2011, 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 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state and 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 schedules of expenditures of state and 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.

As discussed in note 1 to the financial statements, the District adopted provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

October 14, 2011  
Milwaukee, Wisconsin

# SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

## Management Discussion & Analysis

June 30, 2011

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 2011 by \$21,973,815 (*net assets*). For the year, net assets increased by \$1,603,005.

Total governmental fund revenues were \$37,375,210; including \$15,223,333 of property taxes, \$15,582,477 of state and federal general aid, and \$2,287,993 of charges for services. Total expenditures were \$35,781,730 including \$20,786,011 for direct instruction.

The following events took place during fiscal 2011:

- The District's authority to exceed the state imposed revenue limits for operational purposes by \$694,000 per year for five years that was granted approval by the voters in 2006 expired on June 30, 2011. In April, 2011 the District sought an operations referendum to extend that authority for an additional three years. This referendum was approved by a majority of the voters. The authority to exceed the revenue limits will be in place for the District from fiscal 2012 through fiscal 2014.
- On February 11, 2011 Governor Scott Walker proposed a Budget Repair Bill to attempt to balance a shortfall for the 2009-11 state budget. This proposed legislation was met with much opposition as included within it was the curbing of collective bargaining rights for public sector workers that had been in place for over 50 years. Due to this opposition, the bill did not pass until June, 2011. This new law limits the rights that public sector workers have to only being able to collectively bargain base wage increases up to the increase in the Consumer Price Index. Prior to this bill, local unions were able to bargain several items related to wages, hours, benefits, and working conditions. This law also prohibits employers from deducting union dues from paychecks and mandates that the local unions hold an annual vote to recertify the union by having at least 50% of the membership approve the recertification.
- As a result of the proposal made by the Governor on February 11, 2011, two local School District of Fort Atkinson unions met with the Board of Education to negotiate one year extensions to their union contracts prior to the law's enactment in June. The District's support staff union had been in mediation and the negotiations were awaiting arbitration proceedings when the Governor's proposal was made. As a result, the union agreed to the Board of Education's offer of a one year freeze in salary the first year and a minimal raise in the second year, an increase in health insurance premium contributions by employees, increasing the employees contribution from 0% to 50% of the required contribution to the state retirement system, and several other items. The District's teacher's union also agreed to these same terms to extend their contract one year through fiscal year 2012. With the extension of these two contracts, all of the District's agreements with its' three unions will expire on the same date, June 30, 2012 at which point the collective bargaining agreement will cease to exist except for an agreement on base wage increases for one year per the new state law given that the unions recertify.

# SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

## Management Discussion & Analysis

June 30, 2011

### FINANCIAL HIGHLIGHTS (CONTINUED)

- In January, 2010 the District paid off its' \$3 million unfunded pension liability with the state retirement system to garner approximately \$2.5 million in savings to the taxpayers over the next 20 years. This payoff was made with a Note Anticipation Note (NAN) that came due in August, 2010. The use of this NAN allowed the District to carefully consider its' options with respect to its' payoff. After long discussions amongst the Board and Administration, the decision was made to utilize the District's fund balance to pay off this NAN. The main underlying reason for this decision was that the District was paying a 7.8% interest rate on the unfunded pension liability each year, however given the current interest rates the fund balance was earning next to nothing on an annual basis. By utilizing fund balance there was very little interest earnings lost because of the interest rate environment and the District was able to save the 7.8% interest charges being assessed on the liability. As a result of utilizing the fund balance, the District was required to short-term borrow for approximately 10 business days at an interest cost of \$845.80 through a line of credit with a local bank. This short-term borrowing was also considered by the Board of Education in the planning and decision making process when looking to payoff this liability and actually came in lower than was projected at that time.
- The District received \$653,479 in federal Education Jobs funds during fiscal year 2011. These federal funds were appropriated and distributed to schools less than a month before the start of the school year. As a result, they could not be used to hire additional staff within the school as all of the class enrollments were already set to begin the school year. These funds were used to offset current salary and benefit costs of teaching staff that were funded with local dollars. The savings garnered from these funds replacing local expenses will be used to help the District plan financially on a long term basis as it navigates this turbulent time in state educational funding.
- In an effort to continue to find ways to become more efficient, the District installed a wind turbine at the High School. 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. A large portion of this wind turbine project was funded through incentives from the local utility company and Focus on Energy.
- 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 2010-11 the District realized a net gain of \$635,938. The transfer of tuition from other school districts significantly increases resources available to the District.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Management Discussion & Analysis**

June 30, 2011  
(Continued)

**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.

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, 2011

(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"> <li>• Statement of Net Assets.</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet.</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
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, 2011

(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, 2011  
(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, 2011. The District's combined net assets increased by \$1,603,005 (8%) to \$21,973,815. Specific causes of the increases are discussed later in this document.

<b>Total School District</b>		
	<u>For the Year Ended</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Current and other assets	\$ 13,241,745	\$ 12,004,550
Capital assets	<u>35,678,613</u>	<u>34,241,715</u>
<b>TOTAL ASSETS</b>	<b>48,920,358</b>	<b>46,246,265</b>
Long-term debt	20,229,274	20,759,749
Other liabilities	<u>8,320,274</u>	<u>3,512,701</u>
<b>TOTAL LIABILITIES</b>	<b>28,549,548</b>	<b>24,272,450</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	14,723,613	15,036,715
Restricted	974,903	1,011,088
Unrestricted	<u>4,672,294</u>	<u>5,926,012</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 20,370,810</u></u></b>	<b><u><u>\$ 21,973,815</u></u></b>

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Management Discussion & Analysis**

June 30, 2011  
(Continued)

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

<b>Total School District</b>		
	<u>For the Year Ended</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 2,006,189	\$ 2,287,993
Operating grants & contributions	3,497,701	3,820,343
Capital grants & contributions	159,727	269,164
General Revenues		
Property taxes	14,327,008	15,223,333
State formula aid	15,328,482	15,520,864
Other	<u>138,189</u>	<u>263,038</u>
<b>TOTAL REVENUES</b>	<b>35,457,296</b>	<b>37,384,735</b>
<b>Expenses</b>		
Instruction	19,806,688	20,786,011
Pupil & instructional services	3,056,509	3,101,963
Administration & finance	2,296,328	2,405,772
Maintenance & operations	3,958,388	4,088,887
Transportation	966,351	1,030,362
Food Service	1,362,596	1,337,400
Interest on debt	751,211	867,476
Other	<u>1,904,394</u>	<u>2,163,859</u>
<b>TOTAL EXPENSES</b>	<b><u>34,102,465</u></b>	<b><u>35,781,730</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b><u>\$ 1,354,831</u></b>	<b><u>\$ 1,603,005</u></b>

The District relies primarily on property taxes (40.7% of total governmental revenues), and state formula aid (41.5%) to fund governmental activities.

**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Management Discussion & Analysis**

June 30, 2011

(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.

<b>Table 3</b>				
<b>Net Cost of Government Activities</b>				
	<b>Year Ended June 30, 2010</b>		<b>Year Ended June 30, 2011</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
<b>Expenses</b>				
Instruction	\$ 19,806,688	\$ 15,850,182	\$ 20,786,011	\$ 16,242,572
Pupil & instructional services	3,056,509	2,967,898	3,101,963	3,007,675
Administration & finance	2,296,328	2,296,328	2,405,772	2,405,772
Maintenance & operations	3,958,388	3,772,773	4,088,887	3,795,830
Transportation	966,351	900,166	1,030,362	964,669
Food Service	1,362,596	20,668	1,337,400	(20,133)
Interest on debt	751,211	751,211	867,476	867,476
Other	1,904,394	1,879,622	2,163,859	2,140,369
<b>TOTAL EXPENSES</b>	<b>\$ 34,102,465</b>	<b>\$ 28,438,848</b>	<b>\$ 35,781,730</b>	<b>\$ 29,404,230</b>

The cost of all governmental activities this year was \$35,781,730. Individuals who directly participated in or benefited from a program offering, paid for or had paid on their behalf \$2,287,993 of the costs. Federal and state governments and donors subsidized certain programs with grants and contributions of \$4,089,507. The net cost of governmental activities (\$29,404,230) was financed by general revenues of the District (\$15,223,333 property taxes, \$15,520,864 state formula aid, and \$263,038 other).

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Management Discussion & Analysis**

June 30, 2011  
(Continued)

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

The District completed the year with a total governmental fund balance of \$8,683,216 down from last year's ending fund balance of \$9,938,869.

- The general fund had a decrease in fund balance of \$1,306,533. This decrease is due to the payoff of the \$3 million NAN that was used to refinance the District's unfunded pension liability with the state retirement system. If the payoff of \$3 million out of fund balance is factored against the total decrease of \$1,306,533 in fund balance, the regular operations of the District were actually rather financially sound.
- The debt service fund had a decrease of \$33,971. 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 1<sup>st</sup>). 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 \$32,543,343 and expenditures of \$31,884,150.

Actual results for the year show revenues exceeding expenditures by \$1,752,471. 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**  
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**Management Discussion & Analysis**

June 30, 2011  
(Continued)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the District had invested \$34,241,715 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$22,130,014. Asset acquisitions for governmental activities totaled \$531,132. The District recognized depreciation expense of \$1,977,555. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

<b>Table 4</b>			
<b>Capital Assets</b>			
<b>(net of depreciation)</b>			
	Governmental Activities		Total % Change
	2010	2011	2010-11
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	49,414,915	49,866,279	0.9%
Furniture and equipment	5,497,700	5,439,452	-1.1%
Accumulated depreciation	(20,300,000)	(22,130,014)	9.0%
<b>TOTAL</b>	<b>\$ 35,678,613</b>	<b>\$ 34,241,715</b>	<b>-4.0%</b>

**SCHOOL DISTRICT OF FORT ATKINSON**  
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**Management Discussion & Analysis**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-term Debt**

At year-end the District had \$21,042,249 in bonds payable and other long-term debt outstanding – a decrease of \$4,306,609 (17%) from fiscal year 2010. This decrease resulted from scheduled debt repayment and payoff of the entire WRS note with existing fund balance. (Detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.)

<b>Table 5</b>			
<b>Outstanding Long-term Obligations</b>			
	Total School District		Total % Change
	2010	2011	2010-11
General obligation bonds	\$ 20,955,000	\$ 19,205,000	-8.4%
Note anticipation notes	3,040,000	--	-100.0%
Retirement stipends	150,750	251,000	66.5%
Compensated absences	267,027	262,226	-1.8%
Other post employment benefits	936,081	1,324,023	41.4%
<b>TOTAL</b>	<b>\$ 25,348,858</b>	<b>\$ 21,042,249</b>	<b>-17.0%</b>

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, 2011  
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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The passage of the 2011-13 State of Wisconsin biennial budget reduced education funding by an average of 5.5% per pupil. These reductions were meant to be offset by the savings in employee expenses imposed by the Budget Repair Bill that required employees to pay half of the required contribution to the state retirement system and curbed collective bargaining rights to allow school districts the flexibility to manage their human resources costs. Since the School District of Fort Atkinson was already well ahead of other districts in managing their human resources costs, there were additional reductions that had to be made by the Board to balance the fiscal year 2012 budget. These reductions, many of which were operational efficiencies due to a large number of retirees, were approved in the spring of 2011 and have been built into the fiscal year 2012 budget.
- As mentioned prior, the passage of the state Budget Repair Bill in June, 2011, doing among other things, limits public employees' rights to collectively bargain to only allowing negotiations regarding the one year increase of total base wages up to the increase in the Consumer Price Index. Also within the bill was a requirement for unions to recertify annually by approval of 50% of the total membership. Given that all of the District's union contracts expire on June 30, 2012, the District will be taking this year to evaluate the new laws, confer with other districts, and ultimately determine the best direction for the District.
- With the new limits on collective bargaining rights, the District must transition from a culture of having union contracts to govern its' operations with employees to utilizing a staff handbook that outlines the District's expectations of employees. Nearly all of the provisions that were handled through negotiations in the past are now Board of Education decisions on what is best for the District and its' employees. As a result, the District is in the process of developing an employee handbook to be effective July 1, 2012. While the new law allows greater flexibility for the Board to manage its' operations, the Board is also aware of the cultural standards they are proposing through the handbook and their effect on the morale and performance of the employees.
- For the second straight year the resident student enrollment within the District has increased as of September, 2011. Given that the District's funding is based on resident enrollment count, this bodes well for the future financial condition of the District. It was expected that, with a large graduating senior class in June, 2011, the fiscal 2012 student enrollments may decline. However, it is now evident that rather than having a one year spike in resident enrollment in fiscal 2011 that the trend has continued into fiscal 2012.

**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, 2011

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash	\$ 5,952,108
Taxes receivable	4,841,480
Accounts receivable	145,119
Due from other governments	971,688
Inventory	3,707
Prepaid expense	90,448
Total current assets	12,004,550
<b>Noncurrent assets</b>	
Capital assets	56,371,729
Less: accumulated depreciation	(22,130,014)
Total noncurrent assets	34,241,715
<b>Total assets</b>	\$ 46,246,265
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 30,894
Withholdings and related district fringes payable	1,296,331
Accrued interest	191,367
Accrued salaries and related items	1,956,945
Due to other governments	9,099
Deferred revenues	9,552
Other fund liabilities	18,513
Current portion of long-term debt	1,815,000
Total current liabilities	5,327,701
<b>Noncurrent liabilities</b>	
Long-term obligations	17,390,000
Accrued vacation and stipends	513,226
Other post-employment benefits	1,324,023
Unamortized loss on refunding	(282,500)
Total noncurrent liabilities	18,944,749
<b>Total liabilities</b>	24,272,450
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,036,715
Restricted for:	
Debt service	842,265
Food service	166,727
Other activities	2,096
Unrestricted	5,926,012
<b>Total net assets</b>	21,973,815
<b>Total liabilities and net assets</b>	\$ 46,246,265

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, 2011

	<b>Program Revenues</b>				<b>Net</b>
	<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>	<b>(Expenses)</b>	<b>Revenues and</b>
<b>Governmental activities:</b>	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>	<b>Changes in</b>
		<b>Contributions</b>	<b>Contributions</b>		<b>Net Assets</b>
Instruction:					
Regular instruction	\$ 14,024,515	\$ 1,048,168	\$ 1,353,555	\$ ---	\$ (11,622,792)
Special education instruction	4,353,013	402,232	1,693,292	---	(2,257,489)
Vocational instruction	1,099,119	---	---	---	(1,099,119)
Other instruction	1,309,364	46,192	---	---	(1,263,172)
Total instruction	20,786,011	1,496,592	3,046,847	---	(16,242,572)
Support services:					
Pupil services	1,345,612	---	---	---	(1,345,612)
Instructional staff services	1,756,351	---	94,288	---	(1,662,063)
Administration services	2,405,772	---	---	---	(2,405,772)
Operation and maintenance of plant	4,088,887	23,893	---	269,164	(3,795,830)
Pupil transportation	1,030,362	---	65,693	---	(964,669)
Central services	611,024	---	---	---	(611,024)
Other support services	257,194	---	---	---	(257,194)
Community services	78,687	23,490	---	---	(55,197)
Food service	1,337,400	744,018	613,515	---	20,133
Interest on long-term debt	867,476	---	---	---	(867,476)
Unallocated depreciation**	1,216,954	---	---	---	(1,216,954)
Total support services	14,995,719	791,401	773,496	269,164	(13,161,658)
<b>Total school district</b>	<b>\$ 35,781,730</b>	<b>\$ 2,287,993</b>	<b>\$ 3,820,343</b>	<b>\$ 269,164</b>	<b>(29,404,230)</b>

**General revenues:**

Taxes:	
Property taxes, levied for general purposes	12,555,170
Property taxes, levied for debt service	2,548,517
Property taxes, levied for specific purposes	114,392
Other taxes	5,254
Federal and state aid not restricted to specific purposes:	
General	15,520,864
Other	61,613
Interest and investment earnings	15,563
Loss on disposal of assets	9,525
Miscellaneous	176,337
	1,603,005
Changes in net assets	1,603,005
Net assets - beginning of year	20,370,810
Net assets - end of year	<b>\$ 21,973,815</b>

\*\*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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 4,903,862	\$ 842,265	\$ 205,981	\$ 5,952,108
Taxes receivable	4,841,480	---	---	4,841,480
Accounts receivable	144,144	---	975	145,119
Due from other governments	954,637	---	17,051	971,688
Inventory	---	---	3,707	3,707
Prepaid expense	90,448	---	---	90,448
<b>Total assets</b>	<b>\$ 10,934,571</b>	<b>\$ 842,265</b>	<b>\$ 227,714</b>	<b>\$ 12,004,550</b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 30,894	\$ ---	\$ ---	\$ 30,894
Withholdings and related district fringes payable	1,285,180	---	11,151	1,296,331
Accrued payroll	1,942,413	---	14,532	1,956,945
Due to other governments	9,099	---	---	9,099
Deferred revenues	9,552	---	---	9,552
Other liabilities	---	---	18,513	18,513
<b>Total liabilities</b>	<b>3,277,138</b>	<b>---</b>	<b>44,196</b>	<b>3,321,334</b>
 <b>Fund Balances</b>				
Nonspendable	90,448	---	3,707	94,155
Restricted	---	842,265	165,116	1,007,381
Assigned	89,489	---	14,695	104,184
Unassigned	7,477,496	---	---	7,477,496
<b>Total fund balances</b>	<b>7,657,433</b>	<b>842,265</b>	<b>183,518</b>	<b>8,683,216</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 10,934,571</b>	 <b>\$ 842,265</b>	 <b>\$ 227,714</b>	 <b>\$ 12,004,550</b>

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, 2011

**Total fund balances - governmental funds** \$ 8,683,216

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	\$ 56,371,729	
Accumulated depreciation	<u>(22,130,014)</u>	
		34,241,715

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	19,205,000	
Unamortized loss on refunding	(282,500)	
Accrued vacation and stipends	<u>513,226</u>	
		(19,435,726)

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. (1,324,023)

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. (191,367)

**Total net assets - governmental activities** \$ 21,973,815

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 13,154,524	\$ 2,551,997	\$ 830,815	\$ 16,537,336
Interdistrict payments within Wisconsin	1,050,869	---	---	1,050,869
Intermediate sources	14,163	---	---	14,163
State	16,757,553	---	26,395	16,783,948
Federal	2,225,437	---	587,120	2,812,557
Other	176,337	---	---	176,337
Total revenues	<u>33,378,883</u>	<u>2,551,997</u>	<u>1,444,330</u>	<u>37,375,210</u>
 <b>Expenditures:</b>				
Instruction:				
Current	19,768,176	---	414	19,768,590
Interdistrict	464,169	---	---	464,169
Capital outlay	44,836	---	9,586	54,422
Support Services:				
Current	10,874,081	---	1,346,467	12,220,548
Capital outlay	473,698	---	3,012	476,710
Debt service	1,452	5,644,972	---	5,646,424
Total expenditures	<u>31,626,412</u>	<u>5,644,972</u>	<u>1,359,479</u>	<u>38,630,863</u>
Excess (deficiency) of revenues over (under) expenditures	1,752,471	(3,092,975)	84,851	(1,255,653)
 <b>Other Financing Sources (uses):</b>				
Operating transfers in	---	3,059,004	---	3,059,004
Operating transfers out	(3,059,004)	---	---	(3,059,004)
Total other financing sources (uses)	<u>(3,059,004)</u>	<u>3,059,004</u>	<u>---</u>	<u>---</u>
Net change in fund balances	(1,306,533)	(33,971)	84,851	(1,255,653)
 Fund Balances - Beginning of year	 <u>8,963,966</u>	 <u>876,236</u>	 <u>98,667</u>	 <u>9,938,869</u>
 Fund Balances - End of year	 <u>\$ 7,657,433</u>	 <u>\$ 842,265</u>	 <u>\$ 183,518</u>	 <u>\$ 8,683,216</u>

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, 2011

**Total net change in fund balances - governmental funds** \$ (1,255,653)

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	\$ (1,977,555)	
Capital outlays	<u>531,132</u>	(1,446,423)

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.

9,525

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.

(387,942)

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	1,750,000	
Notes payable	<u>3,040,000</u>	4,790,000

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 deferred 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.

4,801

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.

(100,250)

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.

36,030

**Change in net assets of governmental activities** \$ 1,603,005

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, 2011

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
<b>Assets</b>			
Cash	\$ 27,033	\$ 58,562	\$ 148,134
Investments	878,126	95,970	5,000
Total assets	<u>\$ 905,159</u>	<u>\$ 154,532</u>	<u>\$ 153,134</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Due to student groups	\$ ---	---	153,134
<b>Net assets</b>			
Restricted	905,159	154,532	---
Total liabilities and net assets	<u>\$ 905,159</u>	<u>\$ 154,532</u>	<u>\$ 153,134</u>

**Statement of Changes in Fiduciary Net Assets**

Year Ended June 30, 2011

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
<b>Additions</b>		
Net investment income	\$ 176,217	\$ 2,194
Contributions to employee benefit trust	---	859,126
Total additions	<u>176,217</u>	<u>861,320</u>
<b>Deductions</b>		
Trust fund disbursements	<u>33,388</u>	<u>818,215</u>
Change in net assets	142,829	43,105
Net assets - June 30, 2010	818,672	111,427
Prior period adjustment	<u>(56,342)</u>	---
Net assets - June 30, 2010, as adjusted	<u>762,330</u>	<u>111,427</u>
Net assets - June 30, 2011	<u>\$ 905,159</u>	<u>\$ 154,532</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, 2011

### 1. Summary of Significant Accounting Policies

#### A. Introduction

The School District of Fort Atkinson ("District") 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.

##### 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.



**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

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. This fund includes activities associated with providing educational programs for students with disabilities.

**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.

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.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**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. The District did not have any advances between funds.

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, 2011 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Debt retirement	Debt Service Fund	General Fund	\$ <u>3,059,004</u>

**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.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets (Continued)**

Capitalization thresholds (the dollar value 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	\$	1,000	Straight-line	50 years
Equipment and furniture		1,000	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 – Governmental Funds**

Beginning with the fiscal year ending June 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable – Amounts that cannot be spent because they are either not in spendable form (i.e. convertible into cash) or legally required to be maintained intact.
- Restricted – Either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board.
- Assigned – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The School Board has delegated authority to assign fund balance for a specific purpose to the Director of Business Services.
- Unassigned – The residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. The District has not adopted a policy addressing the order in which classifications will be used when fund balance is spent down.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**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 represent payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at cost using the first-in, first-out (FIFO) method. 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 October 14, 2011. There were no subsequent events that required recognition or disclosure.

**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	\$ 6,105,242	Custodial
Money market	85,595	Custodial
Fixed income securities	301,732	Interest rate and credit
Mutual funds	107,702	Interest rate and credit
Equity securities	564,662	Interest rate and credit
Total cash and investments	\$ <u>7,164,933</u>	

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**2. Cash and Investments (Continued)**

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

Statement of net assets:	
Cash	\$ 5,952,108
Statement of fiduciary net assets:	
Cash	233,729
Investments	<u>979,096</u>
Total cash and investments	\$ <u>7,164,933</u>

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.

Deposits in each local bank and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution. Deposits and the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per district. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

**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 \$6,105,242 at June 30, 2011 and the bank's carrying value was \$6,302,525, of which \$810,204 was fully insured and \$5,429,321 was collateralized by pledged securities. The District does not have a policy on custodial risk.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**2. Cash and Investments (Continued)**

**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.

**3. Short-Term Debt**

Short-term debt payable at June 30, 2011 is as follows:

<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>June 30, 2010</u>				<u>June 30, 2011</u>
\$ ---		\$ 1,000,310	\$ 1,000,310	\$ ---

The short term debt was a \$2,000,000 revolving line of credit dated August 6, 2010 due August 1, 2011, with an interest rate of 3%. Interest for the year ended June 30, 2011 was \$846. The line of credit is for general district operation.

**4. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>July 1, 2010</u>				<u>June 30, 2011</u>
Government activities:					
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ 1,065,998	
Buildings and improvements	49,414,915	451,364	---	49,866,279	
Equipment	5,497,700	79,768	(138,016)	5,439,452	
Total capital assets	55,978,613	531,132	(138,016)	56,371,729	
Less accumulated depreciation	(20,300,000)	(1,977,555)	147,541	(22,130,014)	
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 35,678,613</u>	<u>\$ (1,446,423)</u>	<u>\$ 9,525</u>	<u>\$ 34,241,715</u>	

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**4. Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 211,938
General administration	51,845
Operation and maintenance of plant	424,336
Pupil transportation	15,274
Food service	57,208
Unallocated depreciation	<u>1,216,954</u>
Total depreciation for governmental activities	<u>\$ 1,977,555</u>

**5. Long-Term Liabilities**

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2011</u>	Amounts due within <u>one year</u>
G.O. Bonds	\$ 20,955,000	\$ ---	\$ 1,750,000	\$ 19,205,000	\$ 1,815,000
Notes	3,040,000	---	3,040,000	---	---
Retirement stipends	150,750	100,250	---	251,000	---
Compensated absences	267,027	---	4,801	262,226	---
Other post-employment benefits	936,081	1,311,492	923,550	1,324,023	---
<b>Total</b>	<u>\$ 25,348,858</u>	<u>\$ 1,411,742</u>	<u>\$ 5,718,351</u>	<u>\$ 21,042,249</u>	<u>\$ 1,815,000</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2011 on long-term liabilities was \$850,575 and \$814,544.

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.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**5. Long-Term Liabilities (Continued)**

General obligation debt at June 30, 2011 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2011</u>
G.O. Refunding Bond	1/4/08	4.0%	04/01/16	\$ 5,640,000
G.O. Refunding Bond	01/15/04	2 to 3.75%	04/01/16	3,510,000
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	835,000
Total				<u>\$ 19,205,000</u>

The 2010 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,423,281,597. The legal debt limit and margin of indebtedness as of June 30, 2011, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,423,281,597)	\$ 142,328,160
Deduct long-term debt applicable to debt margin	<u>19,205,000</u>
Margin of indebtedness	<u>\$ 123,123,160</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2011 follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
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	2,120,000	467,698	2,587,698
2017-2021	<u>9,380,000</u>	<u>1,196,786</u>	<u>10,576,786</u>
	<u>\$ 19,205,000</u>	<u>\$ 4,295,615</u>	<u>\$ 23,500,615</u>



**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**6. 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, 2011:

General Fund:

Vocational curriculum	\$	5,462
Physical curriculum		14,416
Special education curriculum		1,267
General administration		61,763
School building administration		10,248
Central services		62,726
Insurance and judgments		20,021
Purchased instructional services		25,574
Other non-program transactions		3,804

**7. Fund Balances**

As of June 30, 2011, fund balances are composed of the following:

General fund:		
Nonspendable prepaid expenses	\$	90,448
Assigned for specific purposes		89,489
Unassigned		7,477,496
Restricted for special revenue trust		2,096
Restricted for other debt service retirement		842,265
Food service fund:		
Nonspendable inventory		3,707
Restricted for food service		163,020
Assigned for community service		14,695
Total	\$	<u><u>8,683,216</u></u>

**8. 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 employees) are eligible to participate in the WRS. As of December 31, 2010 covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees through June 30, 2011. 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, 2011 was \$16,472,511; the employer's total payroll was \$17,325,973. The total required contribution for the year ended June 30, 2011 was \$1,853,119 which consisted of \$811,252, or 4.9% of payroll from the employer and \$1,041,867, or

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**

June 30, 2011

(Continued)

6.3% of payroll from employees. Total contributions for the year ending June 30, 2010 and 2009 were \$1,832,025 and \$1,711,141, respectively, equal to the required contributions for each year.

**8. Employee Retirement Plans (Continued)**

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.

**9. 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, 2010, the date of the latest actuarial valuation:

Retirees	50
Active	410
Number of participating employees	460

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.

Annual required contribution	\$ 1,260,008
Interest adjustment	51,484
Amortization factor adjustment	(64,424)
Contributions made	(859,126)
Increase in net OPEB obligation	387,942
Net OPEB obligation – beginning of year	936,081
Net OPEB obligation – end of year	\$ 1,324,023

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

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 45. 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.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2010
Actuarial cost method	Unit credit
Amortization method	30 year open level dollar & level percent
Remaining amortization period	30 years
Asset value method	Market value
Actuarial assumptions:	
Investment rate of return*	5.50%
Projected payroll increases	3.00%
Medical care trend*	10.00% decreasing by 1.00% per year down to 5.00%

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

**10. 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. In 2006 the District was granted approval by voters to exceed this limit by \$694,000 per year for five years. This approval expired on June 30, 2011. A referendum to extend this authority for an additional three years was approved by voters. This authority will be in place until June 30, 2014. 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

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

- A referendum on or after August 12, 1993

**11. 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.

**12. 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>	
2012	\$ 46,000
2013	46,000
2014	46,000
2015	46,000
2016	<u>23,000</u>
Total	<u>\$ 207,000</u>

**13. 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, 2011, are not likely to have a materially adverse impact on the District's financial position.

**14. Prior Period Adjustment**

An adjustment has been made to the June 30, 2010 net assets in the Private Purpose Trust Fund. This fund was established to account for gifts and donations specified for the benefit of private individuals and organizations not under the control of the school board. The \$56,342 adjustment represents the amount by which the prior year gain was overstated.

**15. State Budget**

The State of Wisconsin 2011 – 2013 budget includes significant cuts in funding to school districts. The budget also provides areas for significant expenditure cuts for the districts. Due to this, the District will likely be experiencing decreases in state aids and expenditures during the next year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Funding Progress**  
June 30, 2011

<b>Actuarial Valuation Date</b>	<b>Actual Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2006	\$ -	\$ 7,084,590	\$ 7,084,590	0.00%	\$ 13,918,720	50.90%
7/1/2008	\$ 51,746	\$ 10,698,384	\$ 10,646,638	0.48%	\$ 14,527,617	73.29%
7/1/2010	\$ 109,187	\$ 10,706,813	\$ 10,597,626	1.02%	\$ 16,472,511	64.34%

The District is required to present the above information for the three most recent actuarial studies.

The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**  
Year Ended June 30, 2011

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>	<b>Net OPEB Obligation</b>
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%	936,081
2011	1,260,008	859,126	68.18%	1,324,023

See Independent Auditors' Report

**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Local	\$ 13,090,332	\$ 13,105,312	\$ 13,154,524	\$ 49,212
Interdistrict payments within Wisconsin	1,083,476	1,088,959	1,050,869	(38,090)
Intermediate sources	10,000	12,000	14,163	2,163
State	16,733,519	16,737,644	16,757,553	19,909
Federal	1,599,016	1,620,111	2,225,437	605,326
Other	27,000	27,000	176,337	149,337
Total revenues	<u>32,543,343</u>	<u>32,591,026</u>	<u>33,378,883</u>	<u>787,857</u>
<b>Expenditures:</b>				
Instruction:				
Current	19,964,937	19,976,354	19,768,176	208,178
Interdistrict	452,914	452,914	464,169	(11,255)
Capital outlay	55,151	56,013	44,836	11,177
Support Services:				
Current	10,987,806	11,030,371	10,874,081	156,290
Capital outlay	416,172	405,085	473,698	(68,613)
Debt service	7,170	7,170	1,452	5,718
Total expenditures	<u>31,884,150</u>	<u>31,927,907</u>	<u>31,626,412</u>	<u>301,495</u>
Excess of revenues over expenditures	659,193	663,119	1,752,471	1,089,352
<b>Other Financing Sources (uses):</b>				
Operating transfers out	<u>(3,059,007)</u>	<u>(3,059,007)</u>	<u>(3,059,004)</u>	<u>3</u>
Total other financing sources (uses)	<u>(3,059,007)</u>	<u>(3,059,007)</u>	<u>(3,059,004)</u>	<u>3</u>
Net change in fund balances	(2,399,814)	(2,395,888)	(1,306,533)	1,089,355
Fund Balances - Beginning of year	<u>8,963,966</u>	<u>8,963,966</u>	<u>8,963,966</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 6,564,152</u>	<u>\$ 6,568,078</u>	<u>\$ 7,657,433</u>	<u>\$ 1,089,355</u>

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**



**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2011

	<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>	
<b>Assets</b>				
Cash	\$ 2,096	\$ 189,190	\$ 14,695	\$ 205,981
Accounts receivable	---	975	---	975
Due from other governments	---	17,051	---	17,051
Inventory	---	3,707	---	3,707
	<u>\$ 2,096</u>	<u>\$ 210,923</u>	<u>\$ 14,695</u>	<u>\$ 227,714</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Withholdings and related district fringes payable	\$ ---	\$ 11,151	\$ ---	\$ 11,151
Accrued payroll	---	14,532	---	14,532
Other liabilities	---	18,513	---	18,513
<b>Total liabilities</b>	<u>---</u>	<u>44,196</u>	<u>---</u>	<u>44,196</u>
<b>Fund Balances</b>				
Nonspendable	---	3,707	---	3,707
Restricted	2,096	163,020	---	165,116
Assigned	---	---	14,695	14,695
<b>Total fund balances</b>	<u>2,096</u>	<u>166,727</u>	<u>14,695</u>	<u>183,518</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,096</u>	<u>\$ 210,923</u>	<u>\$ 14,695</u>	<u>\$ 227,714</u>

See Independent Auditors' Report.

**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, 2011

	<u>Special Revenue Funds</u>			
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total</u>
<b>Revenues:</b>				
Local	\$ 10,012	\$ 744,618	\$ 76,185	\$ 830,815
State	---	26,395	---	26,395
Federal	---	587,120	---	587,120
Total revenues	<u>10,012</u>	<u>1,358,133</u>	<u>76,185</u>	<u>1,444,330</u>
<b>Expenditures:</b>				
Instruction:				
Current	414	---	---	414
Capital outlay	9,586	---	---	9,586
Support Services:				
Current	---	1,270,792	75,675	1,346,467
Capital outlay	---	---	3,012	3,012
Total expenditures	<u>10,000</u>	<u>1,270,792</u>	<u>78,687</u>	<u>1,359,479</u>
Excess (deficiency) of revenues over (under) expenditures	12	87,341	(2,502)	84,851
Fund Balances - Beginning of year	<u>2,084</u>	<u>79,386</u>	<u>17,197</u>	<u>98,667</u>
Fund Balances - End of year	<u>\$ 2,096</u>	<u>\$ 166,727</u>	<u>\$ 14,695</u>	<u>\$ 183,518</u>

See Independent Auditors' Report.

**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**

June 30, 2011

	<b>Balance</b>			<b>Balance</b>
	<b><u>7/1/10</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>6/30/11</u></b>
<b>Assets</b>				
Cash	\$ 131,509	\$ 596,955	\$ (575,330)	\$ 153,134
<b>Liabilities</b>				
Due to student groups				
High School	\$ 100,116	\$ 514,108	\$ (489,723)	\$ 124,501
Middle School	18,814	61,666	(64,581)	15,899
Barrie Elementary School	3,062	6,813	(7,259)	2,616
Rockwell Elementary School	6,130	8,123	(8,875)	5,378
Luther Elementary School	3,387	6,245	(4,892)	4,740
Total liabilities and net assets	\$ 131,509	\$ 596,955	\$ (575,330)	\$ 153,134

See Independent Auditors' Report.

**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Schedule of Expenditures of State Awards**

Year Ended June 30, 2011

Awarding Agency	State	Accrued or		State	Accrued or
Pass-Through Agency	I.D.	(Deferred)		Disbursements/	(Deferred)
Award Description	Number	Revenue at	Receipts	Expenditures	Revenue at
		7/1/10			6/30/11
<b>WI Dept. of Public Instruction</b>					
Special education and school-age parents**	255.101	\$ ---	\$ 1,008,453	\$ 1,008,453	\$ ---
State school lunch	255.102	---	13,259	13,259	---
Common school fund library aid	255.103	---	94,288	94,288	---
Pupil transportation	255.107	---	65,693	65,693	---
Wisconsin morning milk program	255.109	---	6,665	6,665	---
Equalization aids	255.201	272,894	16,063,136	16,052,246	262,004
High cost special education aid	255.210	---	3,188	3,188	---
School breakfast program	255.344	---	6,471	6,471	---
Grants for advanced placement courses	255.351	---	1,270	1,270	---
Mentoring	255.355	---	4,125	4,125	---
Four-Year-Old Kindergarten Grants	255.360	---	---	---	---
Passed through CESA #2					
Alcohol and other drug abuse	255.306	---	---	982	982
Kind Kids Against Bullying	255.306	---	959	959	---
Special education and school-age parents	255.101	---	12,223	12,223	---
<b>Total</b>		<u>\$ 272,894</u>	<u>\$ 17,279,730</u>	<u>\$ 17,269,822</u>	<u>\$ 262,986</u>

\*\* Total DPI aidable expenditures for the year ended June 30, 2011 were \$4,023,649.

See Independent Auditors' Report.

**SCHOOL DISTRICT OF FORT ATKINSON**

Fort Atkinson, Wisconsin

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2011

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Deferred) Revenue at 7/1/10	Receipts	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/11
<b>U.S. Department of Agriculture</b>					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ 2,978	\$ 71,615	\$ 71,501	\$ 2,864
Donated Commodities	10.555	---	76,255	76,255	---
Food Service Aid - Lunch	10.555	14,869	440,046	439,364	14,187
Nutrition Cluster Subtotal		<u>17,847</u>	<u>587,916</u>	<u>587,120</u>	<u>17,051</u>
<b>Total U.S. Department of Agriculture</b>		17,847	587,916	587,120	17,051
<b>U.S. Department of Education</b>					
Passed through Wisconsin Department of Public Instruction:					
Title 1 Cluster:					
ESEA Title 1A Basic	84.010	54,621	235,951	232,619	51,289
ARRA - ESEA Title I-A	84.389	28,659	109,614	127,819	46,864
Title 1 Cluster Subtotal		<u>83,280</u>	<u>345,565</u>	<u>360,438</u>	<u>98,153</u>
Special Education Cluster:					
High Cost Special Education	84.027	76	5,768	5,692	---
IDEA Flow Through	84.027	128,593	328,548	495,981	296,026
IDEA Preschool Entitlement	84.173	4,588	9,874	13,385	8,099
ARRA - IDEA Flow Through	84.391	290,176	420,665	154,369	23,880
ARRA - IDEA Preschool Entitlement	84.392	5,189	5,189	---	---
Special Education Cluster Subtotal		<u>428,622</u>	<u>770,044</u>	<u>669,427</u>	<u>328,005</u>
Technology Cluster:					
Title 2D Technology	84.318	2,224	2,224	652	652
ARRA - ESEA Title II-D education technology	84.386	4,350	4,350	733	733
Technology Cluster Subtotal		<u>6,574</u>	<u>6,574</u>	<u>1,385</u>	<u>1,385</u>
Title 4 AODA	84.186	4,989	4,989	---	---
ESEA Title IV-B 21st Century CLC	84.287	---	23,754	71,097	47,343
ESEA Title 2A Teacher Principal Training	84.367	14,909	106,585	114,714	23,038
ESEA Title 3A English Language Acquisition	84.365	38,794	38,794	65,092	65,092
ESEA Title 3A Immigrant Discretionary	84.365	---	8,718	27,052	18,334
Passed through Wisconsin Department of Administration:					
Education Jobs Fund	84.410	---	653,479	653,479	---
Passed through the School District of Jefferson:					
Carl Perkins	84.048	14,897	24,205	19,268	9,960
<b>Total U.S. Department of Education</b>		<u>592,065</u>	<u>1,982,707</u>	<u>1,981,952</u>	<u>591,310</u>
<b>U.S. Department of Health and Human Services</b>					
Medical Assistance Program	93.778	---	224,038	262,752	38,714
<b>Total</b>		<u>\$ 609,912</u>	<u>\$ 2,794,661</u>	<u>\$ 2,831,824</u>	<u>\$ 647,075</u>

See Independent Auditors' Report.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Notes to Schedules of Expenditures of State and Federal Awards**  
June 30, 2011

**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.

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



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2011. 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 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 October 14, 2011.

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.

October 14, 2011  
Milwaukee, Wisconsin



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



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

**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, 2011. 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 could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. 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 2011-1 and 2011-2.

## 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 responses to the findings identified in our audit are 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.

October 14, 2011  
Milwaukee, Wisconsin

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011

**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 cannot ensure that they are in compliance with the equipment and real property grant requirements.

**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.

**Status**

The District has begun a process of tagging those assets that are purchased with federal funds. Each asset is tagged with a label or inscription that states the program funding that was used to purchase the asset (e.g. "Title I"). This will allow the District to ensure that those assets are only used within those local programs that fall under the guidelines of the federal program.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011  
(Continued)

**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.

**Status**

Accurate transportation records were kept in the current year and this was no longer a finding.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011  
(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 plan 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 cannot 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.

**Status**

This was not a finding in the current year. The District has located its hazardous transportation plan, however the plan is outdated. The District will be updating their hazardous transportation plan in the 2011-2012 fiscal year.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

**Section I. 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>Nutrition Cluster</u>
10.553	Food Service Aid - Breakfast
10.555	Food Service Aid - Lunch
	<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
84.410	Education Jobs Fund

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

**Section I. Summary of Auditors Results (Continued)**

**Federal Awards (Continued)**

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

**Section II. Financial Statement Findings**

No matters were reported

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

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

**2011-1**

Department: United States Department of Education

Program Name: Individuals with Disabilities Education Act (IDEA) and Title I Grants to Local Educational Agencies

Federal #: 84.027, 84.173, 84.391, and 84.010, 84.389, respectively

**Condition and Criteria**

Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis. The District was unable to provide sufficient time and effort reporting documentation for any employees who were funded by a federal program.

**Questioned Costs**

We tested \$96,135 of salary and benefits costs for IDEA and \$118,042 of salary and benefit costs for Title I for which there was no time and effort reporting. Because there was no time and effort documentation the entire sum of these amounts is a questioned cost.

**Effect**

The District is not in compliance with the federal requirement requiring time and effort reporting for employees who work on Federal programs.

**Cause**

The District did not believe that time and effort reporting was required because their employees worked solely on single cost objectives.

**Recommendation**

We recommend that the District implement a process to track employees' time and effort worked on federal programs. An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis.

**District's Response**

The employees that work within these programs work solely on single cost objectives. As a result, the District will follow the auditor's recommendation and work to ensure that semi-annual certification by the employees is completed as required by the federal programs.



**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

**2011-2**

Department: Wisconsin Department of Public Instruction  
Program Name: Special Education and School-Age Parents  
State #: 255.101

**Condition and Criteria:**

The District claimed special education pupil transportation costs for one bus route that included both special education students and one regular education student. The Department of Public Instruction requires that special education transportation routes claimed must contain only children with disabilities whose IEP states that child must have "special" transportation (cannot ride with regular education children). As a result, the entire \$161,416 of transportation costs charged to this grant is a questioned cost.

**Effect:**

Ineligible costs were claimed against the grant.

**Questioned Costs:** \$161,416

**Cause:**

Special education pupil transportation was claimed for a bus route that included both special education students and one regular education student.

**Auditor's Recommendation:**

When claiming special education pupil transportation costs, vehicles must contain only children with disabilities whose IEP states that child must have "special" transportation (cannot ride with regular education children).

**District's Response:**

This was monitored very closely during fiscal 2011 due to the audit finding for fiscal 2010. A concerted effort was made by both the District and the contracted transportation service provider to ensure that only special education students were riding on special education routes due to the state requirement outlined here. As a result of last year's audit finding there was intense work done on making sure the records were as accurate as possible given the implementation of a computer system by the contracted transportation provider in fiscal 2010. This record keeping continues to be monitored on a monthly basis and has already been improved over fiscal year 2011 operations.

**SCHOOL DISTRICT OF FORT ATKINSON**  
Fort Atkinson, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

**Section IV. Other Issues**

- |   |   |
|---|---|
| 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?   | No  |
| 2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :<br><br>Department of Public Instruction | Yes   |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?   | Yes   |
| 4. Name and signature of partner  | <hr style="width: 200px; margin-left: auto; margin-right: 0;"/> Carrie A. Gindt |
| 5. Date of Report   | October 14, 2011  |