

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2012

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Management Discussion & Analysis	3 - 14
Basic Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22 - 34
Required Supplementary Information	
Schedules of Funding Progress and Employer Contributions	36
Budgetary Comparison Schedule – General Fund	37

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2012

Table of Contents
(Continued)

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	40
Agency Funds – Schedule of Changes in Assets and Liabilities	41
Schedule of Expenditures of State Awards	42
Schedule of Expenditures of Federal Awards	43
Notes to Schedules of Expenditures of State and Federal Awards	44
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	45 - 46
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	47 – 48
Summary Schedule of Prior Audit Findings	49 – 50
Schedule of Findings and Questioned Costs	51 - 54

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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, 2012, 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, 2012, and the respective changes in financial position 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 25, 2012, 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, schedule of funding progress and employer contributions, and budgetary comparison information on pages 3 through 14 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Fort Atkinson's financial statements as a whole. The accompanying 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.

October 25, 2012
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis
June 30, 2012

To the Board of Education
School District of Fort Atkinson

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 2012 by \$23,182,683 (*net assets*). For the year, net assets increased by \$1,208,868.

Total governmental fund revenues were \$35,153,316; including \$15,189,717 of property taxes, \$14,313,848 of state and federal general aid, and \$2,332,396 of charges for services. Total expenditures were \$33,944,448 including \$19,650,468 for direct instruction.

The following events took place during fiscal 2012:

- 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 is 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 limited 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 prohibited 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. However, in a Spring, 2012 court decision these last two provisions of the law were overturned, therefore allowing the practice to continue where employers can deduct union dues voluntarily and no recertification vote is needed for the union to remain in place.
- 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 2012. With the extension of these two contracts, all of the District's agreements with its' three unions expired on the same date, June 30, 2012. As of this writing, no successor agreements

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012

FINANCIAL HIGHLIGHTS (CONTINUED)

have been entered into with any of the unions due to a Dane County Circuit Court ruling in September, 2012 that invalidated other parts of the state law limiting collective bargaining for public unions.

- Due to the pending expiration of all three collective bargaining agreements, the Board of Education and management spent the entire fiscal 2012 crafting an employee handbook to govern operations beginning July 1, 2012. This process involved meetings on an almost weekly basis of the Personnel Committee to develop the entire document. At each stage of the process the entire staff was solicited for feedback and the Committee responded to all of the feedback with either changes of provisions or logic as to why provisions remained as written. The final version of the handbook was adopted at the Board's regular June, 2012 meeting. The handbook is only available digitally as the Board has the authority to change it as issues arise throughout the year as opposed to waiting for a contract hiatus to negotiate language in the collective bargaining agreement, thus allowing much more flexibility to meet the changing demands of the District's students and community.
- In April, 2012 the District launched a Sponsorship program to the community. As of this writing the District has inked three sponsorship agreements with local businesses totaling \$162,000. These sponsorships provide exposure for local businesses in exchange for funds that can be used to offset capital and maintenance expenses for District facilities. The acquisition of these funds allows the District to tap these resources for certain projects as opposed to the District's operating budget, therefore allowing more of the operating budget to be used for teaching and learning purposes. Some of these sponsorships do have an academic focus to upgrade certain programs and equipment available to the District's students in an effort to have a more prepared workforce following high school.
- 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 2011-12 the District realized a net gain of \$745,346. The transfer of tuition from other school districts significantly increases resources available to the District.
- Following the fiscal year 2011 audit, the District's Business Office conducted an in-depth review of all site activity accounts throughout the District. Guidelines were developed for the management of these funds and those accounts that were identified as District activities were brought onto the District's ledger as of the end of fiscal 2012. This was done in response to past recommendations from the auditor as well as to follow Wisconsin Department of Public Instruction established guidelines on activity accounts.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(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, 2012

(Continued)

Major Features of the District-wide and Fund Financial Statements

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(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, 2012
(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, 2012. The District's combined net assets increased by \$1,208,868 (5.5%) to \$23,182,683. Specific causes of the increases are discussed later in this document.

Table 1		
Condensed Statement of Net Assets		
Total School District		
	<u>For the Year Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Current and other assets	\$ 12,004,550	\$ 12,523,801
Capital assets	<u>34,241,715</u>	<u>33,173,719</u>
TOTAL ASSETS	46,246,265	45,697,520
Long-term debt	20,759,749	19,032,062
Other liabilities	<u>3,512,701</u>	<u>3,482,775</u>
TOTAL LIABILITIES	24,272,450	22,514,837
Net assets:		
Invested in capital assets, net of related debt	15,036,715	15,783,719
Restricted	1,011,088	978,017
Unrestricted	<u>5,926,012</u>	<u>6,420,947</u>
TOTAL NET ASSETS	<u>\$ 21,973,815</u>	<u>\$ 23,182,683</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

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

Total School District		
	<u>For the Year Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,287,993	\$ 2,332,396
Operating grants & contributions	3,820,343	3,137,791
Capital grants & contributions	269,164	20,000
General Revenues		
Property taxes	15,223,333	15,189,717
State formula aid	15,520,864	14,242,857
Other	<u>263,038</u>	<u>230,555</u>
TOTAL REVENUES	<u>37,384,735</u>	<u>35,153,316</u>
Expenses		
Instruction	20,786,011	19,650,468
Pupil & instructional services	3,101,963	2,889,877
Administration & finance	2,405,772	2,232,848
Maintenance & operations	4,088,887	3,653,420
Transportation	1,030,362	1,104,829
Food Service	1,337,400	1,354,898
Interest on debt	867,476	795,875
Other	<u>2,163,859</u>	<u>2,262,233</u>
TOTAL EXPENSES	<u>35,781,730</u>	<u>33,944,448</u>
INCREASE (DECREASE)		
IN NET ASSETS	<u><u>\$ 1,603,005</u></u>	<u><u>\$ 1,208,868</u></u>

The District relies primarily on property taxes (43.2% of total governmental revenues), and state formula aid (40.5%) to fund governmental activities.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

Table 3 presents the cost of the eight major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3				
Net Cost of Government Activities				
	Year Ended June 30, 2011		Year Ended June 30, 2012	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Expenses				
Instruction	\$ 20,786,011	\$ 16,242,572	\$ 19,650,468	\$ 15,694,148
Pupil & instructional services	3,101,963	3,007,675	2,889,877	2,794,661
Administration & finance	2,405,772	2,405,772	2,232,848	2,232,848
Maintenance & operations	4,088,887	3,795,830	3,653,420	3,633,013
Transportation	1,030,362	964,669	1,104,829	1,080,208
Food Service	1,337,400	(20,133)	1,354,898	(11,915)
Interest on debt	867,476	867,476	795,875	795,875
Other	2,163,859	2,140,369	2,262,233	2,235,423
TOTAL EXPENSES	<u>\$ 35,781,730</u>	<u>\$ 29,404,230</u>	<u>\$ 33,944,448</u>	<u>\$ 28,454,261</u>

The cost of all governmental activities this year was \$33,944,448. Individuals who directly participated in or benefited from a program offering, paid for or had paid on their behalf \$2,332,396 of the costs. Federal and state governments and donors subsidized certain programs with grants and contributions of \$3,137,791. The net cost of governmental activities (\$28,454,261) was financed by general revenues of the District (\$15,189,717 property taxes, \$14,242,857 state formula aid, and \$230,555 other).

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$9,215,050 up from last year's ending fund balance of \$8,683,216.

- The general fund had an increase in fund balance of \$564,769. This increase is due to several one-time occurrences such as payment of Medicaid revenue due to the audit of prior year's programs, decreased substitute costs, etc.
- The non-major funds had a decrease of \$32,935. The debt service fund balance will fluctuate because the reserve that is needed at the end of the fiscal year depends on the debt repayment schedule which varies from year to year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The District's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues of \$30,882,378 and expenditures of \$30,731,869.

Actual results for the year show revenues exceeding expenditures by \$564,769. Much of this can be attributed to one-time occurrences as was discussed previously along with beginning to reap the benefits of the energy efficiency measures implemented over the past several years.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the District had invested \$33,173,719 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$23,528,630. Asset acquisitions for governmental activities totaled \$330,620. The District recognized depreciation expense of \$1,398,616. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

Table 4			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Total % Change
	2011	2012	2011-12
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	49,866,279	50,051,333	0.4%
Furniture and equipment	5,439,452	5,585,018	2.7%
Accumulated depreciation	(22,130,014)	(23,528,630)	6.3%
TOTAL	\$ 34,241,715	\$ 33,173,719	-3.1%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At year-end the District had \$19,267,479 in bonds payable and other long-term debt outstanding – a decrease of \$1,774,770 (8.4%) from fiscal year 2011. This decrease resulted from scheduled debt repayment. (Detailed information about the District’s long-term liabilities is presented in Note 4 to the financial statements.)

Table 5			
Outstanding Long-term Obligations			
	Total School District		Total %
	2011	2012	Change 2011-12
General obligation bonds	\$ 19,205,000	\$ 17,390,000	-9.5%
Note anticipation notes	--	--	--
Retirement stipends	251,000	332,000	32.3%
Compensated absences	262,226	207,383	-20.9%
Other post employment benefits	1,324,023	1,338,096	1.1%
TOTAL	\$ 21,042,249	\$ 19,267,479	-8.4%

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
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2012
(Continued)

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 2013 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 2013 budget. At this point there is no assumption that can be made for the 2013-15 biennial budget and its impact on education in the State of Wisconsin. Following the November, 2012 elections it should become clearer what the philosophy of funding education is in the state house and at that point the District can begin to plan accordingly.
- 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 has developed an employee handbook 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 third straight year the resident student enrollment within the District has increased as of September, 2012. 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 the large increases in enrollment the District has seen the last two years, the fiscal 2013 student enrollments may decline. However, it is now evident that rather than having a spike in resident enrollment that the trend has continued into fiscal 2013. Given that the state imposed revenue limit is based on a three year rolling average of resident enrollment, these three years of increases help to financially position the District well for the future.

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, 2012

	Governmental Activities
Assets	
Current assets	
Cash	\$ 6,783,020
Taxes receivable	4,721,157
Accounts receivable	62,634
Due from other governments	826,174
Inventory	16,867
Prepaid expense	113,949
Total current assets	12,523,801
Noncurrent assets	
Capital assets	56,702,349
Less: accumulated depreciation	(23,528,630)
Total noncurrent assets	33,173,719
Total assets	\$ 45,697,520
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 72,510
Withholdings and related district fringes payable	1,301,239
Accrued interest	174,024
Accrued salaries and related items	1,912,303
Due to other governments	3,509
Other fund liabilities	19,190
Current portion of long-term debt	1,885,000
Total current liabilities	5,367,775
Noncurrent liabilities	
Long-term obligations	15,505,000
Accrued vacation and stipends	539,383
Other post-employment benefits	1,338,096
Unamortized loss on refunding	(235,417)
Total noncurrent liabilities	17,147,062
Total liabilities	22,514,837
Net Assets	
Invested in capital assets, net of related debt	15,783,719
Restricted for:	
Debt service	810,699
Food service	163,085
Other activities	4,233
Unrestricted	6,420,947
Total net assets	23,182,683
Total liabilities and net assets	\$ 45,697,520

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, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular instruction	\$ 13,135,113	\$ 1,290,797	\$ 616,048	\$ 20,000	\$ (11,208,268)
Special education instruction	4,221,990	259,700	1,729,749	---	(2,232,541)
Vocational instruction	1,048,423	---	---	---	(1,048,423)
Other instruction	1,244,942	40,026	---	---	(1,204,916)
Total instruction	19,650,468	1,590,523	2,345,797	20,000	(15,694,148)
Support services:					
Pupil services	1,225,214	---	---	---	(1,225,214)
Instructional staff services	1,664,663	---	95,216	---	(1,569,447)
Administration services	2,232,848	---	---	---	(2,232,848)
Operation and maintenance of plant	3,653,420	20,407	---	---	(3,633,013)
Pupil transportation	1,104,829	---	24,621	---	(1,080,208)
Central services	673,556	---	---	---	(673,556)
Other support services	330,487	---	---	---	(330,487)
Community services	79,782	26,810	---	---	(52,972)
Food service	1,354,898	694,656	672,157	---	11,915
Interest on long-term debt	795,875	---	---	---	(795,875)
Unallocated depreciation**	1,178,408	---	---	---	(1,178,408)
Total support services	14,293,980	741,873	791,994	---	(12,760,113)
Total school district	\$ 33,944,448	\$ 2,332,396	\$ 3,137,791	\$ 20,000	(28,454,261)

General revenues:

Taxes:	
Property taxes, levied for general purposes	12,582,247
Property taxes, levied for debt service	2,545,783
Property taxes, levied for specific purposes	52,695
Other taxes	8,992
Federal and state aid not restricted to specific purposes:	
General	14,242,857
Other	70,991
Interest and investment earnings	14,811
Miscellaneous	144,753
Changes in net assets	1,208,868
Net assets - beginning of year	21,973,815
Net assets - end of year	<u>\$ 23,182,683</u>

**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, 2012

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 5,775,856	\$ 1,007,164	\$ 6,783,020
Taxes receivable	4,721,157	---	4,721,157
Accounts receivable	62,584	50	62,634
Due from other funds	25,176	---	25,176
Due from other governments	782,538	43,636	826,174
Inventory	---	16,867	16,867
Prepaid expense	113,034	915	113,949
Total assets	\$ 11,480,345	\$ 1,068,632	\$ 12,548,977
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 67,830	\$ 4,680	\$ 72,510
Withholdings and related district fringes payable	1,289,548	11,691	1,301,239
Accrued payroll	1,897,256	15,047	1,912,303
Due to other funds	---	25,176	25,176
Due to other governments	3,509	---	3,509
Other liabilities	---	19,190	19,190
Total liabilities	3,258,143	75,784	3,333,927
Fund Balances			
Nonspendable	113,034	17,782	130,816
Restricted	---	960,235	960,235
Assigned	93,259	14,831	108,090
Unassigned	8,015,909	---	8,015,909
Total fund balances	8,222,202	992,848	9,215,050
 Total liabilities and fund balances	 \$ 11,480,345	 \$ 1,068,632	 \$ 12,548,977

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, 2012

Total fund balances - governmental funds \$ 9,215,050

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	\$ 56,702,349	
Accumulated depreciation	<u>(23,528,630)</u>	
		33,173,719

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	17,390,000	
Unamortized loss on refunding	(235,417)	
Accrued vacation and stipends	<u>539,383</u>	
		(17,693,966)

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. (1,338,096)

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. (174,024)

Total net assets - governmental activities \$ 23,182,683

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, 2012

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local	\$ 12,871,275	\$ 3,347,802	\$ 16,219,077
Interdistrict payments within Wisconsin	1,111,588	21,382	1,132,970
Intermediate sources	17,644	---	17,644
State	15,491,877	24,770	15,516,647
Federal	1,444,812	677,413	2,122,225
Other	143,239	1,514	144,753
Total revenues	<u>31,080,435</u>	<u>4,072,881</u>	<u>35,153,316</u>
Expenditures:			
Instruction:			
Current	18,973,610	67,842	19,041,452
Interdistrict	433,008	---	433,008
Capital outlay	72,058	---	72,058
Support Services:			
Current	10,783,616	1,451,652	12,235,268
Capital outlay	251,922	6,640	258,562
Debt service	1,452	2,579,682	2,581,134
Total expenditures	<u>30,515,666</u>	<u>4,105,816</u>	<u>34,621,482</u>
Excess (deficiency) of revenues over (under) expenditures	564,769	(32,935)	531,834
Fund Balances - Beginning of year	<u>7,657,433</u>	<u>1,025,783</u>	<u>8,683,216</u>
Fund Balances - End of year	<u>\$ 8,222,202</u>	<u>\$ 992,848</u>	<u>\$ 9,215,050</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, 2012

Total net change in fund balances - governmental funds \$ 531,834

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.

Depreciation expense	\$ (1,398,616)	
Capital outlays	<u>330,620</u>	
		(1,067,996)

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	1,815,000
---------------	-----------

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

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

	54,843
--	--------

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.

	(81,000)
--	----------

The District 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.

	(14,073)
--	----------

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.

	<u>17,343</u>
--	---------------

Change in net assets of governmental activities

	<u><u>\$ 1,208,868</u></u>
--	----------------------------

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, 2012

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets			
Cash	\$ 36,679	\$ 60,468	\$ 146,500
Investments	871,983	146,118	5,000
Total assets	<u>\$ 908,662</u>	<u>\$ 206,586</u>	<u>\$ 151,500</u>
Liabilities and Net Assets			
Liabilities			
Due to student groups	\$ ---	---	151,500
Net assets			
Restricted	908,662	206,586	---
Total liabilities and net assets	<u>\$ 908,662</u>	<u>\$ 206,586</u>	<u>\$ 151,500</u>

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2012

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
Additions		
Net investment income	\$ 11,272	\$ 2,457
Gifts	6,700	---
Contributions to employee benefit trust	---	1,041,528
Total additions	<u>17,972</u>	<u>1,043,985</u>
Deductions		
Trust fund disbursements	<u>34,772</u>	<u>991,931</u>
Change in net assets	(16,800)	52,054
Net assets - June 30, 2011	905,159	154,532
Prior period adjustment	20,303	---
Net assets - June 30, 2011, as adjusted	<u>925,462</u>	<u>154,532</u>
Net assets - June 30, 2012	<u>\$ 908,662</u>	<u>\$ 206,586</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, 2012

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, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental fund:

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.

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.

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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

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. Capital Assets

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

Capitalization thresholds (the dollar 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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. 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.

I. 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.

The District has not adopted a policy addressing the order in which classifications will be used when fund balance is spent down.

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

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

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

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. 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.

L. 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 30th 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.

M. 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 25, 2012. There is one subsequent event that requires disclosure. In September 2012, Act 10 was overturned in county court. The State of Wisconsin plans to appeal this decision. Management is uncertain as to the effects this will have on the District.

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	\$ 6,929,520	Custodial
Money market	97,147	Custodial
Fixed income securities	324,293	Interest rate and credit
Mutual funds	58,729	Interest rate and credit
Equity securities	640,079	Interest rate and credit
Total cash and investments	<u>\$ 8,049,768</u>	

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

Statement of net assets:	
Cash	\$ 6,783,020
Statement of fiduciary net assets:	
Cash	243,647
Investments	<u>1,023,101</u>
Total cash and investments	<u>\$ 8,049,768</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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

2. Cash and Investments (Continued)

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 districts.

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 \$6,929,520 at June 30, 2012 and the bank's carrying value was \$7,747,758, of which \$805,264 was fully insured and \$6,942,494 was collateralized by pledged securities. The District does not have a policy on custodial risk.

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

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

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

3. Short-Term Debt

The District had available to it a \$1,500,000 revolving line of credit dated July 25, 2011 due August 25, 2012, with an interest rate of 3%. The line of credit is for general district operation. The District did not use this line of credit during the current year.

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated				
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ 1,065,998
Capital assets being depreciated				
Buildings and improvements	49,866,279	185,054	---	50,051,333
Equipment	5,439,452	145,566	---	5,585,018
Total capital assets being depreciated	55,305,731	330,620	---	55,636,351
Less accumulated depreciation	(22,130,014)	(1,398,616)	---	(23,528,630)
Total capital assets being depreciated, net of accumulated depreciation	33,175,717	(1,067,996)	---	32,107,721
 Governmental activities capital assets, Net of accumulated depreciation	 \$ 34,241,715	 \$ (1,067,996)	 \$ ---	 \$ 33,173,719

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 140,092
General administration	47,104
Operation and maintenance of plant	16,134
Pupil transportation	14,795
Food service	2,083
Unallocated depreciation	<u>1,178,408</u>
Total depreciation for governmental activities	\$ <u>1,398,616</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2011	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2012	Amounts due within <u>one year</u>
G.O. Bonds	\$ 19,205,000	\$ ---	\$ 1,815,000	\$ 17,390,000	\$ 1,885,000
Retirement stipends	251,000	81,000	---	332,000	---
Compensated absences	262,226	---	54,843	207,383	---
Other post-employment benefits	1,324,023	1,055,601	1,041,528	1,338,096	---
Total	\$ 21,042,249	\$ 1,136,601	\$ 2,911,371	\$ 19,267,479	\$ 1,885,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2012 on long-term liabilities was \$764,683 and \$747,339.

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

General obligation debt at June 30, 2012 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	Balance June 30, 2012
G.O. Refunding Bond	1/4/08	4.0%	4/1/2016	\$ 4,600,000
G.O. Refunding Bond	01/15/04	2 to 3.75%	4/1/2016	2,865,000
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	705,000
Total				\$ 17,390,000

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,400,383,747. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,400,383,747)	\$ 140,038,375
Deduct long-term debt applicable to debt margin	<u>17,390,000</u>
Margin of indebtedness	<u>\$ 122,648,375</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2012 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,685,000	384,435	2,069,435
2018-2021	<u>7,695,000</u>	<u>812,351</u>	<u>8,507,351</u>
	<u>\$ 17,390,000</u>	<u>\$ 3,530,145</u>	<u>\$ 20,920,145</u>

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, 2012:

General Fund:

Business administration	\$ 16,491
Instructional staff services	13,670
Other support services	63
Purchased instructional services	2,822

7. Fund Balances

As of June 30, 2012, fund balances are composed of the following:

General fund:	
Nonspendable prepaid expenses	\$ 113,034
Assigned for specific purposes	93,259
Unassigned	8,015,909
Restricted for special revenue trust	4,233
Restricted for other debt service retirement	810,699
Food service fund:	
Nonspendable inventory	16,867
Nonspendable prepaid expenses	915
Restricted for food service	145,303
Assigned for community service	14,831
Total	<u>\$ 9,215,050</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2011 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.8%	5.8%
Executives & Elected Officials	6.65%	6.65%
Protective with Social Security	5.8%	5.8%
Protective without Social Security	5.8%	11.2%

The payroll for School District of Fort Atkinson employees covered by the WRS for the year ended June 30, 2012 was \$16,193,451; the employer's total payroll was \$17,103,233. The total required contribution for the year ended June 30, 2012 was \$1,894,726 which consisted of \$947,363, or 5.9% of payroll from the employer and \$947,363, or 5.9% of payroll from employees. Total contributions for the year ending June 30, 2011 and 2010 were \$1,853,119 and \$1,832,025, respectively, equal to the required contributions for each year.

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

8. Employee Retirement Plans (Continued)

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	<u>410</u>
Number of participating employees	<u><u>460</u></u>

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

Annual required contribution	\$ 1,047,303
Interest adjustment	72,821
Amortization factor adjustment	(64,523)
Contributions made	<u>(1,041,528)</u>
Decrease in net OPEB obligation	14,073
Net OPEB obligation – beginning of year	<u>1,324,023</u>
Net OPEB obligation – end of year	<u><u>\$ 1,338,096</u></u>

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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

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

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. GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Government Accounting Standards Board has issued Statement No. 68 which will require the District to disclose their net stipend liability on their statement of net assets, effective for the year ending June 30, 2015. GASB Statement No. 68 defines the liability as the difference between the total stipend liability and the value of assets set aside to pay benefits. This statement will have a material effect on the District's stipend liability compared to what is disclosed under current standards.

11. 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
- A referendum on or after August 12, 1993

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

12. 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.

13. 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>	
2013	46,000
2014	46,000
2015	46,000
2016	<u>23,000</u>
Total	\$ <u>161,000</u>

14. 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, 2012, are not likely to have a materially adverse impact on the District's financial position.

15. Prior Period Adjustment

An adjustment has been made to the June 30, 2011 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 \$20,303 adjustment represents two additional bank accounts which had previously not been accounted for in the Districts' general ledger.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Funding Progress
June 30, 2012

Actuarial Valuation Date	Actual Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2006	\$ -	\$ 7,084,590	\$ 7,084,590	0.00%	\$ 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, 2012

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2010	\$ 1,073,673	\$ 636,071	59.24%	936,081
2011	1,260,008	859,126	68.18%	1,324,023
2012	1,047,303	1,041,528	99.45%	1,338,096

See Independent Auditors' Report

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2012

	<u>Fund 10 - Budget</u>		<u>Fund 27 - Budget</u>		<u>Combined Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Original</u>	<u>Final</u>	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:								
Local	\$ 12,846,246	\$ 12,846,246	\$ ---	\$ ---	\$ 12,846,246	\$ 12,846,246	\$ 12,871,275	\$ 25,029
Interdistrict payments within Wisconsin	969,944	969,944	170,921	170,921	1,140,865	1,140,865	1,111,588	(29,277)
Intermediate sources	---	2,000	12,200	12,200	12,200	14,200	17,644	3,444
State	14,422,796	14,430,712	1,086,385	1,086,385	15,509,181	15,517,097	15,491,877	(25,220)
Federal	610,569	609,529	701,547	781,846	1,312,116	1,391,375	1,444,812	53,437
Other	61,770	61,770	---	---	61,770	61,770	143,239	81,469
Total revenues	28,911,325	28,920,201	1,971,053	2,051,352	30,882,378	30,971,553	31,080,435	108,882
Expenditures:								
Instruction:								
Current	15,436,106	15,400,812	3,579,066	3,656,424	19,015,172	19,057,236	18,973,610	83,626
Interdistrict	430,414	430,414	20,844	20,844	451,258	451,258	433,008	18,250
Capital outlay	71,275	104,594	29,805	33,828	101,080	138,422	72,058	66,364
Support Services:								
Current	9,897,084	9,896,126	949,340	948,258	10,846,424	10,844,384	10,783,616	60,768
Capital outlay	309,446	354,523	7,037	7,037	316,483	361,560	251,922	109,638
Debt service	1,452	1,452	---	---	1,452	1,452	1,452	---
Total expenditures	26,145,777	26,187,921	4,586,092	4,666,391	30,731,869	30,854,312	30,515,666	338,646
Excess of revenues over expenditures	2,765,548	2,732,280	(2,615,039)	(2,615,039)	150,509	117,241	564,769	447,528
Other Financing Sources (uses):								
Operating transfers in (out)	(2,615,039)	(2,615,039)	2,615,039	2,615,039	---	---	---	---
Total other financing sources (uses)	(2,615,039)	(2,615,039)	2,615,039	2,615,039	---	---	---	---
Net change in fund balances	150,509	117,241	---	---	150,509	117,241	564,769	447,528
Fund Balances - Beginning of year	7,657,433	7,657,433	---	---	7,657,433	7,657,433	7,657,433	---
Fund Balances - End of year	\$ 7,807,942	\$ 7,774,674	\$ ---	\$ ---	\$ 7,807,942	\$ 7,774,674	\$ 8,222,202	\$ 447,528

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds					
	Special					
	Revenue	Food	Package-	Community	Debt	
	Trust	Service	Cooperative	Service	Service	Total
Assets						
Cash	\$ 4,233	\$ 177,401	\$ ---	\$ 14,831	\$ 810,699	\$ 1,007,164
Accounts receivable	---	50	---	---	---	50
Due from other governments	---	14,817	28,819	---	---	43,636
Inventory	---	16,867	---	---	---	16,867
Prepaid expense	---	915	---	---	---	915
	\$ 4,233	\$ 210,050	\$ 28,819	\$ 14,831	\$ 810,699	\$ 1,068,632
Total assets						
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ ---	\$ 1,037	\$ 3,643	\$ ---	\$ ---	\$ 4,680
Withholdings and related district fringes payable	---	11,691	---	---	---	11,691
Accrued payroll	---	15,047	---	---	---	15,047
Due to other funds	---	---	25,176	---	---	25,176
Other liabilities	---	19,190	---	---	---	19,190
Total liabilities	---	46,965	28,819	---	---	75,784
Fund Balances						
Nonspendable	---	17,782	---	---	---	17,782
Restricted	4,233	145,303	---	---	810,699	960,235
Assigned	---	---	---	14,831	---	14,831
Total fund balances	4,233	163,085	---	14,831	810,699	992,848
Total liabilities and fund balances	\$ 4,233	\$ 210,050	\$ 28,819	\$ 14,831	\$ 810,699	\$ 1,068,632

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, 2012

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special</u>	<u>Food</u>	<u>Package-</u>	<u>Community</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Service</u>	<u>Cooperative</u>	<u>Service</u>	<u>Service</u>	
	<u>Trust</u>					
Revenues:						
Local	\$ 25,000	\$ 695,181	\$ ---	\$ 79,505	\$ 2,548,116	\$ 3,347,802
Interdistrict payments within Wisconsin	---	---	21,382	---	---	21,382
State	---	24,770	---	---	---	24,770
Federal	---	647,388	30,025	---	---	677,413
Other	---	1,101	---	413	---	1,514
Total revenues	<u>25,000</u>	<u>1,368,440</u>	<u>51,407</u>	<u>79,918</u>	<u>2,548,116</u>	<u>4,072,881</u>
Expenditures:						
Instruction:						
Current	22,545	---	45,297	---	---	67,842
Capital outlay	---	---	---	---	---	---
Support Services:						
Current	318	1,365,442	6,110	79,782	---	1,451,652
Capital outlay	---	6,640	---	---	---	6,640
Debt service	---	---	---	---	2,579,682	2,579,682
Total expenditures	<u>22,863</u>	<u>1,372,082</u>	<u>51,407</u>	<u>79,782</u>	<u>2,579,682</u>	<u>4,105,816</u>
Excess (deficiency) of revenues over (under) expenditures	2,137	(3,642)	---	136	(31,566)	(32,935)
Fund Balances - Beginning of year	<u>2,096</u>	<u>166,727</u>	<u>---</u>	<u>14,695</u>	<u>842,265</u>	<u>1,025,783</u>
Fund Balances - End of year	<u>\$ 4,233</u>	<u>\$ 163,085</u>	<u>\$ ---</u>	<u>\$ 14,831</u>	<u>\$ 810,699</u>	<u>\$ 992,848</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2012

	<u>Balance</u>		<u>Balance</u>
	<u>7/1/11</u>	<u>Additions</u>	<u>6/30/12</u>
Assets			
Cash	\$ 148,134	\$ 583,105	\$ (584,739) \$ 146,500
Investments	5,000	---	---
Total assets	<u>\$ 153,134</u>	<u>\$ 583,105</u>	<u>\$ (584,739) \$ 151,500</u>
Liabilities			
Due to student groups			
High School	\$ 124,501	\$ 508,668	\$ (514,735) \$ 118,434
Middle School	15,899	43,729	(44,622) 15,006
Barrie Elementary School	2,616	11,346	(8,239) 5,723
Luther Elementary School	4,740	5,078	(5,773) 4,045
Purdy Elementary School	---	1,234	(132) 1,102
Rockwell Elementary School	5,378	13,050	(11,238) 7,190
Total liabilities	<u>\$ 153,134</u>	<u>\$ 583,105</u>	<u>\$ (584,739) \$ 151,500</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2012

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Deferred) Revenue at 7/1/11	Receipts	State Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/12
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 1,058,772	\$ 1,058,772	\$ ---
State school lunch	255.102	---	13,353	13,353	---
Common school fund library aid	255.103	---	95,216	95,216	---
Pupil transportation	255.107	---	24,621	24,621	---
Wisconsin morning milk program	255.109	---	6,223	6,223	---
Equalization aids	255.201	262,004	14,807,064	14,822,725	277,665
High cost special education aid	255.210	---	396	396	---
School breakfast program	255.344	---	5,194	5,194	---
Mentoring	255.355	---	2,700	2,700	---
Passed through CESA #2					
Special education and school-age parents	255.101	---	13,968	13,968	---
Alcohol and other drug abuse mini grants	255.306	982	4,658	3,676	---
Total		<u>\$ 262,986</u>	<u>\$ 16,032,165</u>	<u>\$ 16,046,844</u>	<u>\$ 277,665</u>

** Total DPI aidable expenditures for the year ended June 30, 2012 were \$3,932,831.

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Deferred) Revenue at 7/1/11	Receipts	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/12
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ 2,864	\$ 75,933	\$ 75,483	\$ 2,414
Donated Commodities	10.555	---	84,173	84,173	---
Food Service Aid - Lunch	10.555	14,187	482,876	481,092	12,403
Nutrition Cluster Subtotal		17,051	642,982	640,748	14,817
Child Nutrition Discretionary	10.579	---	6,640	6,640	---
Total U.S. Department of Agriculture		17,051	649,622	647,388	14,817
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
Title 1 Cluster:					
ESEA Title 1A Basic	84.010	51,289	187,063	308,081	172,307
ARRA - ESEA Title I-A	84.389	46,864	47,748	884	---
Title 1 Cluster Subtotal		98,153	234,811	308,965	172,307
Special Education Cluster:					
High Cost Special Education	84.027	---	7,068	7,068	---
IDEA Flow Through	84.027	296,026	746,223	602,782	152,585
IDEA Preschool Entitlement	84.173	8,099	18,777	13,747	3,069
ARRA - IDEA Flow Through	84.391	23,880	56,876	32,996	---
ARRA - IDEA Preschool Entitlement	84.392	---	20	20	---
Special Education Cluster Subtotal		328,005	828,964	656,613	155,654
Technology Cluster:					
Title 2D Technology	84.318	652	652	---	---
ARRA - ESEA Title II-D education technology	84.386	733	733	---	---
Technology Cluster Subtotal		1,385	1,385	---	---
ESEA Title IV-B 21st Century CLC	84.287	47,343	103,513	88,098	31,928
ESEA Title 2A Teacher Principal Training	84.367	23,038	79,456	102,444	46,026
ESEA Title 3A English Language Acquisition	84.365	65,092	77,274	30,026	17,844
ESEA Title 3A Immigrant Discretionary	84.365	18,334	37,171	20,000	1,163
Passed through Wisconsin Department of Administration:					
Education Jobs Fund	84.410	---	11,914	11,914	---
Passed through the School District of Jefferson:					
Carl Perkins	84.048	9,960	20,367	21,382	10,975
Total U.S. Department of Education		591,310	1,394,855	1,239,442	435,897
U.S. Department of Health and Human Services					
Medical Assistance Program	93.778	38,714	260,451	256,778	35,041
Total		\$ 647,075	\$ 2,304,928	\$ 2,143,608	\$ 485,755

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2012

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. Brophy
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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2012. 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

Management of the School District of Fort Atkinson is responsible for establishing and maintaining effective 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

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 25, 2012.

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

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

October 25, 2012
Milwaukee, Wisconsin

Steven C. Barney
Steven R. Volz
Daniel R. Brophy
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, 2012. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, that is 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 is described in the accompanying schedule of findings and questioned costs as item 2012-1.

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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 over compliance 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 25, 2012
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

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.

Status

This was not a finding in the current year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012
(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.

Status

This was not a finding in the current year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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>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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012
(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? | No |

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 | No |
| 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
255.201	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, 2012
(Continued)

Section III. Federal and State Award Findings and Questioned Costs

2012-1

Department: United States Department of Education
Program Name: Individuals with Disabilities Education Act (IDEA)
Federal #: 84.027, 84.173, 84.391 AND 84.392

Condition and Criteria

Wisconsin Department of Public Instruction code PI 34.34 (18) states, any person employed by a school district as a special education program aide shall hold a license. We tested a random sample of employees for proper licenses and found one special education aide did not have the required special education aide license.

Questioned Costs

We tested \$5,124 of salary and benefits costs for IDEA which the unlicensed employee received as compensation from the District during the 2011-2012 fiscal year. Because the employee did not have the required special education aide license the entire sum of these amounts is a questioned cost.

Effect

The District is not in compliance with the Wisconsin Department of Public Instruction requirement over the IDEA program which requires all special education aides to hold a proper license.

Cause

The non-licensing of this particular aide was an administrative oversight.

Recommendation

The District should ensure all District employees have the required licenses for the position they are working in.

District's Response

The aide in question has since been properly licensed to serve in the special education role the employee is assigned to.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012
(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 noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction Yes

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 _____
Carrie A. Gindt

5. Date of Report October 25, 2012