

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2013

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson ("District") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Guidelines.

The financial information listed in the table of contents as other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Change in Accounting Principles

As discussed in Note 1N to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

October 30, 2013
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis
June 30, 2013

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 2013 by \$24,895,879 (*net position*). For the year, net position increased by \$1,282,859.

Total governmental fund revenues were \$37,012,363; including \$15,189,717 of property taxes, \$15,618,724 of state and federal general aid, and \$2,228,053 of charges for services. Total expenditures were \$36,676,570 including \$20,568,764 for direct instruction.

The following events took place during fiscal 2013:

- 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.
- Due to a large increase in state equalization aid as a result of increased student enrollment and depressed property values, the District was able to defease some of its future debt without increasing the total local property tax levy. This debt defeasance not only saved the local taxpayers money in the form of decreased interest payments, but also afforded some flexibility in financial planning not knowing what was in store for public education funding in Wisconsin in the 2013-15 biennial budget. Rather than decrease the tax levy by a significant amount in FY 2013, and then have to increase it should state funding negatively impact the District in FY 2014, it was decided to maintain the tax levy by defeasing debt in order to stabilize any tax impact the local taxpayers may see.
- In April, 2012 the District launched a Sponsorship program to the community. In the first full year of the program the District has secured \$228,500 in funding. 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.
- 2011-12 was the final year of the District operating with full collective bargaining agreements with its three local unions as a result of 2011 WI Act 10, which curbed collective bargaining for public sector unions. The District adopted an *Employee Handbook* in June, 2012 which took effect at the expiration of those collective bargaining agreements on July 1, 2012. As a result, FY 2013 was the first full year operating under the newly adopted *Employee Handbook*.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(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 Position 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, 2013

(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 Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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, 2013
(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 Position reports all assets, deferred inflows and outflows, and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets, deferred inflows and outflows, and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position 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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2012. The District's combined net position increased by \$1,713,196 (7.39%) to \$24,895,879. Specific causes of the increases are discussed later in this document.

Table 1		
Condensed Statement of Net Position		
Total School District		
	For the Year Ended	
	June 30, 2012	June 30, 2013
Current and other assets	\$ 12,523,801	\$ 12,808,935
Capital assets	33,173,719	32,174,920
TOTAL ASSETS	45,697,520	44,983,855
Unamortized loss on refunding	235,417	188,334
TOTAL DEFERRED OUTFLOWS		
Long-term debt	19,032,062	14,880,000
Other liabilities	3,718,192	5,396,310
TOTAL LIABILITIES	22,750,254	20,276,310
Net position:		
Net investment in		
capital assets	15,783,719	16,228,922
Restricted	978,017	941,638
Unrestricted	6,420,947	7,725,319
TOTAL NET POSITION	\$ 23,182,683	\$ 24,895,879

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

	Total School District	
	For the Year Ended	
	June 30, 2012	June 30, 2013
Revenues		
Program Revenues		
Charges for services	\$ 2,332,396	\$ 2,228,053
Operating grants & contributions	3,137,791	3,857,850
Capital grants & contributions	20,000	30,000
General Revenues		
Property taxes	15,189,717	15,189,717
State formula aid	14,242,857	15,555,313
Other	230,555	135,057
TOTAL REVENUES	35,153,316	36,995,990
Expenses		
Instruction	19,650,468	20,753,538
Pupil & instructional services	2,889,877	2,993,491
Administration & finance	2,232,848	2,536,255
Maintenance & operations	3,653,420	3,881,548
Transportation	1,104,829	1,131,618
Food Service	1,354,898	1,389,055
Interest on debt	795,875	748,420
Other	2,262,233	2,279,206
TOTAL EXPENSES	33,944,448	35,713,131
INCREASE (DECREASE) IN NET POSITION	\$ 1,208,868	\$ 1,282,859

The District relies primarily on property taxes (41.06% of total governmental revenues), and state formula aid (42.05%) to fund governmental activities.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (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, 2012		Year Ended June 30, 2013	
	<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	\$ 19,650,468	\$ 15,694,148	\$ 20,753,538	\$ 16,129,858
Pupil & instructional services	2,889,877	2,794,661	2,993,491	2,902,391
Administration & finance	2,232,848	2,232,848	2,536,255	2,536,255
Maintenance & operations	3,653,420	3,633,013	3,881,548	3,864,758
Transportation	1,104,829	1,080,208	1,131,618	1,106,115
Food Service	1,354,898	(11,915)	1,389,055	64,408
Interest on debt	795,875	795,875	748,420	748,420
Other	2,262,233	2,235,423	2,279,206	2,245,023
TOTAL EXPENSES	<u>\$ 33,944,448</u>	<u>\$ 28,454,261</u>	<u>\$ 35,713,131</u>	<u>\$ 29,597,228</u>

The cost of all governmental activities this year was \$35,713,131. Individuals who directly participated in or benefited from a program offering, paid for or had paid on their behalf \$2,228,053 of the costs. Federal and state governments and donors subsidized certain programs with grants and contributions of \$3,887,850. The net cost of governmental activities (\$29,597,228) was financed by general revenues of the District (\$15,189,717 property taxes, \$15,555,313 state formula aid, and \$135,057 other).

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$9,550,843 up from last year's ending fund balance of \$9,215,050.

- The general fund had an increase in fund balance of \$281,245. This increase was budgeted based for FY 2013 due to being in the second year of a three-year operations referendum.
- The non-major funds had an increase of \$54,548. The debt service fund balance will fluctuate because the reserve that is needed at the end of the fiscal year depends on the debt repayment schedule which varies from year to year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The District's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues of \$29,780,355 and expenditures of \$29,496,623.

Actual results for the year show revenues exceeding expenditures by \$281,245, within \$2,500 of the *original* budget.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the District had invested \$32,174,920 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$25,019,926. Asset acquisitions for governmental activities totaled \$70,744. The District recognized depreciation expense of \$1,483,508. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

Table 4
Capital Assets
(net of depreciation)

	Governmental Activities		Total %
	2012	2013	Change 2012-13
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	50,051,333	50,070,588	0.0%
Furniture and equipment	5,585,018	6,058,260	8.5%
Accumulated depreciation	(23,528,630)	(25,019,926)	6.3%
TOTAL	\$ 33,173,719	\$ 32,174,920	-3.0%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2013
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At year-end the District had \$16,862,416 in bonds payable and other long-term debt outstanding – a decrease of \$2,405,063 (12.5%) from fiscal year 2012. This decrease resulted from scheduled debt repayment. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

Table 5			
Outstanding Long-term Obligations			
	Total School District		Total %
	2012	2013	Change 2012-13
General obligation bonds	\$ 17,390,000	\$ 14,880,000	-14.4%
Note anticipation notes	--	--	--
Retirement stipends	332,000	314,836	-5.2%
Compensated absences	207,383	268,267	29.4%
Other post employment benefits	1,338,096	1,399,313	4.6%
TOTAL	\$ 19,267,479	\$ 16,862,416	-12.5%

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, 2013
(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 2013-15 State of Wisconsin biennial budget only marginally increased funding for public education during the two year period. Funding under the revenue limit was increased by \$75 per pupil and a separate categorical aid was funded at \$75 per pupil. Each of these represent a less than 1% increase in educational funding and only the \$75 per pupil under the revenue limit is expected to carry forward beyond the current biennium. With a less than 1% increase in the allowable revenue the District can realize, there will be a budget shortfall for the foreseeable future.
- Fiscal Year 2014 is the final year of a three-year operational referendum for \$694,000 per year above the revenue limit. As was outlined in the prior bullet, with a less than 1% increase in the allowable revenue the District can realize, in conjunction with the sunset of the current referendum, the District will be seeking approval of an operational referendum on April 1, 2014. As of this writing, the School Board has appointed two community Committees to review the District's current situation and make recommendations regarding the structure of the referendum as well as the communication plan to make the local taxpayers aware of the District's need.
- As of this writing, there have been several challenges to the 2011 law that curbed collective bargaining rights in Wisconsin for public employees (commonly referred to as Act 10). A federal court decision has rendered Act 10 constitutional in its entirety, while a Dane County Circuit Court has ruled parts of it unconstitutional. The Wisconsin Supreme Court will be hearing an appeal to the Dane County decision in November, 2013 and is expected to render a decision by the late spring of 2014. With this case not being settled until that point, the District is operating cautiously when it comes to employee relations and collective bargaining. These legal challenges have vacillated over the course of the first few months of Fiscal Year 2014, making it somewhat difficult to predict future personnel costs as well as maintain employee relations.

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 Position

June 30, 2013

	Governmental Activities
Assets:	
Cash	\$ 7,230,119
Taxes receivable	4,604,816
Accounts receivable	1,200
Due from other governments	826,177
Inventory	6,298
Prepaid expense	140,325
Capital assets:	
Nondepreciable	1,065,998
Depreciable, net of accumulated depreciation	<u>31,108,922</u>
Net capital assets	<u>32,174,920</u>
Total assets	44,983,855
Deferred outflows of resources:	
Unamortized loss on refunding	188,334
Liabilities:	
Accounts payable	54,329
Withholdings and related fringes payable	1,346,422
Accrued interest	155,802
Accrued salaries and related items	1,838,179
Unearned revenues	19,162
Long-term liabilities:	
Long-term debt obligations due within one year	1,965,000
Long-term debt obligations due in more than one year	12,915,000
Accrued vacation and stipends	583,103
Other post-employment benefits	<u>1,399,313</u>
Total liabilities	20,276,310
Net Position:	
Net investment in capital assets	16,228,922
Restricted for:	
Debt service	779,171
Food service	106,076
Other activities	56,391
Unrestricted	<u>7,725,319</u>
Total net position	<u>\$ 24,895,879</u>

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, 2013

	Program Revenues				Net
Expenses	Charges for	Operating	Capital	(Expenses)	
	Services	Grants and	Grants and	Revenues and	
		Contributions	Contributions	Changes in	
				Net Position	
Governmental activities:					
Instruction:					
Regular instruction	\$ 13,729,681	\$ 1,242,482	\$ 1,341,436	\$ 30,000	\$ (11,115,763)
Special education instruction	4,405,766	248,773	1,724,499	---	(2,432,494)
Vocational instruction	1,078,554	---	---	---	(1,078,554)
Other instruction	1,539,537	36,490	---	---	(1,503,047)
Total instruction	20,753,538	1,527,745	3,065,935	30,000	(16,129,858)
Support services:					
Pupil services	1,290,242	---	---	---	(1,290,242)
Instructional staff services	1,703,249	---	91,100	---	(1,612,149)
Administration services	2,536,255	---	---	---	(2,536,255)
Operation and maintenance of plant	3,881,548	16,790	---	---	(3,864,758)
Pupil transportation	1,131,618	---	25,503	---	(1,106,115)
Central services	652,559	---	---	---	(652,559)
Other support services	335,039	---	---	---	(335,039)
Community services	81,455	34,183	---	---	(47,272)
Food service	1,389,055	649,335	675,312	---	(64,408)
Interest on long-term debt	748,420	---	---	---	(748,420)
Unallocated depreciation**	1,210,153	---	---	---	(1,210,153)
Total support services	14,959,593	700,308	791,915	---	(13,467,370)
Total school district	\$ 35,713,131	\$ 2,228,053	\$ 3,857,850	\$ 30,000	(29,597,228)

General revenues:

Taxes:	
Property taxes, levied for general purposes	11,934,191
Property taxes, levied for debt service	3,193,998
Property taxes, levied for specific purposes	58,384
Other taxes	3,144
Federal and state aid not restricted to specific purposes:	
General	15,555,313
Other	63,411
Interest and investment earnings	16,488
Loss on disposal of assets	(16,372)
Miscellaneous	71,530
Changes in net position	1,282,859
Net position - beginning of year	23,182,683
Prior period adjustment	430,337
Net position - beginning of year as adjusted	23,613,020
Net position - end of year	\$ 24,895,879

**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, 2013

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 6,162,680	\$ 1,067,439	\$ 7,230,119
Taxes receivable	4,604,816	---	4,604,816
Accounts receivable	1,200	---	1,200
Due from other funds	23,780	---	23,780
Due from other governments	783,751	42,426	826,177
Inventory	---	6,298	6,298
Prepaid expense	139,448	877	140,325
Total assets	<u>\$ 11,715,675</u>	<u>\$ 1,117,040</u>	<u>\$ 12,832,715</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 54,248	\$ 81	\$ 54,329
Withholdings and related fringes payable	1,334,766	11,656	1,346,422
Accrued payroll	1,823,214	14,965	1,838,179
Due to other funds	---	23,780	23,780
Unearned revenues	---	19,162	19,162
Total liabilities	<u>3,212,228</u>	<u>69,644</u>	<u>3,281,872</u>
Fund Balances			
Nonspendable	139,448	7,175	146,623
Restricted	---	934,463	934,463
Assigned	67,611	105,758	173,369
Unassigned	8,296,388	---	8,296,388
Total fund balances	<u>8,503,447</u>	<u>1,047,396</u>	<u>9,550,843</u>
Total liabilities and fund balances	<u>\$ 11,715,675</u>	<u>\$ 1,117,040</u>	<u>\$ 12,832,715</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 Balance Sheet to the
Statement of Net Position**

June 30, 2013

Total fund balances - governmental funds \$ 9,550,843

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

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

Cost of the assets	\$ 57,194,846	
Accumulated depreciation	<u>(25,019,926)</u>	
		32,174,920

Long-term debt and related items, are not due and payable in the current period and therefore are not reported in the funds. Long-term debt at year-end consist of:

Bonds payable	14,880,000	
Unamortized loss on refunding	(188,334)	
Accrued vacation and stipends	<u>583,103</u>	
		(15,274,769)

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. (1,399,313)

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. (155,802)

Total net position - governmental activities \$ 24,895,879

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, 2013

	<u>Fund 10</u>	<u>Special Ed Fund 27</u>	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local	\$ 12,182,843	\$ ---	\$ 12,182,843	\$ 4,670,445	\$ 16,853,288
Interdistrict payments within Wisconsin	1,063,751	29,803	1,093,554	19,311	1,112,865
Intermediate sources	---	10,674	10,674	---	10,674
State	15,743,760	1,080,241	16,824,001	23,285	16,847,286
Federal	577,477	852,554	1,430,031	686,686	2,116,717
Other	71,533	---	71,533	---	71,533
Total revenues	<u>29,639,364</u>	<u>1,973,272</u>	<u>31,612,636</u>	<u>5,399,727</u>	<u>37,012,363</u>
Expenditures:					
Instruction:					
Current	15,494,605	3,884,471	19,379,076	637,381	20,016,457
Interdistrict	464,922	22,241	487,163	---	487,163
Capital outlay	48,134	17,010	65,144	---	65,144
Support Services:					
Current	10,410,645	982,505	11,393,150	1,479,497	12,872,647
Capital outlay	5,600	---	5,600	---	5,600
Debt service	1,452	---	1,452	3,228,107	3,229,559
Total expenditures	<u>26,425,358</u>	<u>4,906,227</u>	<u>31,331,585</u>	<u>5,344,985</u>	<u>36,676,570</u>
Excess of revenues over expenditures	3,214,006	(2,932,955)	281,051	54,742	335,793
Other Financing Sources (uses):					
Operating transfers in	194	---	194	---	194
Operating transfers out	---	---	---	(194)	(194)
Total other financing sources (uses)	<u>194</u>	<u>---</u>	<u>194</u>	<u>(194)</u>	<u>---</u>
Net change in fund balances	3,214,200	(2,932,955)	281,245	54,548	335,793
Fund Balances - Beginning of year	<u>8,222,202</u>	<u>---</u>	<u>8,222,202</u>	<u>992,848</u>	<u>9,215,050</u>
Fund Balances - End of year	<u>\$ 11,436,402</u>	<u>\$ (2,932,955)</u>	<u>\$ 8,503,447</u>	<u>\$ 1,047,396</u>	<u>\$ 9,550,843</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, 2013

Total net change in fund balances - governmental funds \$ 335,793

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	\$ (1,483,508)	
Capital outlays	<u>70,744</u>	(1,412,764)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (16,372)

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 position.

Bonds payable	2,510,000
---------------	-----------

Amortization reduces the balance of the respective deferred outflow. The amortization is an expenditure in the statement of net position, but it is not shown in the governmental funds.

Amortization of loss on 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. (60,884)

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. 17,164

The District expended 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. (61,217)

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. 18,222

Change in net position of governmental activities \$ 1,282,859

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 Position

June 30, 2013

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets			
Cash	\$ 51,108	\$ 8,112	\$ 81,859
Investments	980,522	251,352	5,000
Total assets	<u>1,031,630</u>	<u>259,464</u>	<u>86,859</u>
Liabilities			
Due to student groups	---	---	86,859
Net position			
Restricted	1,031,630	259,464	---
Total net position	<u>\$ 1,031,630</u>	<u>\$ 259,464</u>	<u>\$ 86,859</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
Additions		
Net investment income	\$ 90,100	\$ 2,773
Gifts	67,732	---
Contributions to employee benefit trust	---	1,052,194
Total additions	<u>157,832</u>	<u>1,054,967</u>
Deductions		
Trust fund disbursements	<u>34,864</u>	<u>1,002,089</u>
Change in net position	122,968	52,878
Net position - June 30, 2012	<u>908,662</u>	<u>206,586</u>
Net position - June 30, 2013	<u>\$ 1,031,630</u>	<u>\$ 259,464</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, 2013

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 position 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, 2013
(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 position 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, 2013
(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. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Jefferson and Rock County purchases 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.

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, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2013 are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Transfers:			
General operations	General	Package - Cooperative	\$ <u>194</u>
Receivables/Payables:			
General operations	General	Package - Cooperative	\$ <u>23,780</u>

I. Net Position

Net position represents the difference between assets, deferred inflows and outflows, and liabilities. Net investment in capital assets 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 position is 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 position is available.

J. Fund Balance – Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

Sick leave benefits are reflected as expenses when paid. Unused sick leave days vest only upon retirement, death or permanent disability and are accounted for as retirement income. Employees vest if they are at least 62 years of age and have fifteen years of service. Liabilities and the related expenses for vacation benefits are recognized when earned. Liabilities for vacation benefits are reflected as accrued liabilities in the statement of net position.

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

L. Estimates

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

M. Other Assets

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represent payments made by the District for which benefits extend beyond June 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.

N. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed October 30, 2013. There are no subsequent events which require recognition or disclosure.

O. Adoption of New Accounting Guidance

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Report as Assets and Liabilities*. The adoption of these pronouncements has no material effect on the financial statements.

P. Deferred Outflows of Resources

The Government Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). Under GASB 65, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the unamortized loss on refunding reported in the government-wide statement of net position. A loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

2. Cash and Investments

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

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Demand deposits	\$ 7,311,978	Custodial
Money market	109,325	Custodial
Certificate of deposit	82,015	Custodial*
Fixed income securities	397,746	Interest rate and credit
Mutual funds	213,417	Interest rate and credit
Equity securities	493,591	Interest rate and credit
Total cash and investments	<u>\$ 8,608,072</u>	

*All fixed income securities have no stated maturity date, or mature in 0 – 5 years.

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

Statement of net position:	
Cash	\$ 7,230,119
Statement of fiduciary net position:	
Cash	141,079
Investments	<u>1,236,874</u>
Total cash and investments	<u>\$ 8,608,072</u>

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

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

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

2. Cash and Investments (Continued)

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. 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 school 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 \$7,311,978 at June 30, 2013 and the bank's carrying value was \$7,503,659, of which \$752,274 was fully insured and \$6,750,511 was collateralized by pledged securities; \$874 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

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

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.

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. Information regarding the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Certificates of deposit	\$ 82,015	\$ 82,015	\$ ---	\$ ---	\$ ---
Fund income securities	397,746	201,247	196,499	---	---
Mutual funds	213,417	213,417	---	---	---
Equity securities	493,591	493,591	---	---	---
	<u>\$ 1,186,769</u>	<u>\$ 990,270</u>	<u>\$ 196,499</u>	<u>\$ ---</u>	<u>\$ ---</u>

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 was for general district operation. The line was not renewed at its August 25, 2012 maturity date.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	<u>Balance July 1, 2012</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated					
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ ---	1,065,998
Capital assets being depreciated:					
Buildings and improvements	50,051,333	19,255	---	---	50,070,588
Equipment	5,585,018	635,579	70,744	233,081	6,058,260
Total capital assets being depreciated	55,636,351	654,834	70,744	233,081	56,128,848
Less accumulated depreciation	(23,528,630)	(224,497)	(1,483,508)	(216,709)	(25,019,926)
Total capital assets being depreciated, net of accumulated depreciation	32,107,721	430,337	(1,412,764)	16,372	31,108,922
Governmental activities capital assets, Net of accumulated depreciation	\$ 33,173,719	\$ 430,337	(1,412,764)	\$ 16,372	\$ 32,174,920

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 164,564
General administration	52,039
Operation and maintenance of plant	37,073
Pupil transportation	14,795
Food service	4,884
Unallocated depreciation	1,210,153
Total depreciation for governmental activities	\$ <u>1,483,508</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
G.O. Bonds	\$ 17,390,000	\$ ---	\$ (2,510,000)	\$ 14,880,000	\$ 1,965,000
Retirement stipends	332,000	---	(17,164)	314,836	---
Compensated absences	207,383	60,884	---	268,267	---
Other post-employment benefits	1,338,096	1,113,411	(1,052,194)	1,399,313	---
Total	\$ 19,267,479	\$ 1,174,295	\$ (3,579,358)	\$ 16,862,416	\$ 1,965,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2013 on long-term liabilities was \$707,942 and \$689,720.

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, 2013 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, 2013
G.O. Refunding Bond	01/15/04	2 to 3.75%	4/1/2016	\$ 1,570,000
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	570,000
G.O. Refunding Bond	1/4/08	4.0%	4/1/2016	3,520,000
Total				\$ 14,880,000

The 2012 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,362,437,467. The legal debt limit and margin of indebtedness as of June 30, 2013, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,362,437,467)	\$ 136,243,747
Deduct long-term debt applicable to debt margin	<u>14,880,000</u>
Margin of indebtedness	<u>\$ 121,363,747</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

5. Long-Term Liabilities (Continued)

Certain outstanding debt of the District has been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts. The principal and interest amounts in escrow provide cash flows sufficient to pay principal and interest of the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The balance of defeased bonds outstanding at June 30, 2013 is \$625,000.

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2013 follow:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,965,000	\$ 623,208	\$ 2,588,208
2015	1,915,000	512,128	2,427,128
2016	1,620,000	444,073	2,064,073
2017	1,685,000	384,435	2,069,435
2018	1,805,000	316,635	2,121,635
2019-2021	<u>5,890,000</u>	<u>495,716</u>	<u>6,385,716</u>
	<u>\$ 14,880,000</u>	<u>\$ 2,776,195</u>	<u>\$ 17,656,195</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, 2013:

General Fund:

General Administration	\$ 5,649
School Building Administration	97,587
Business Administration	84,438
Central Services	9,817
Purchased Instructional Services	16,094
Other Non-Program Transactions	25,301

Special Education Fund:

Special Education Curriculum	64,618
Instructional Staff Services	10,231
Business Administration	9,367
Purchased Instructional Services	23,555

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

7. Fund Balances

As of June 30, 2013, fund balances are composed of the following:

General fund:		
Nonspendable prepaid expenses	\$	139,448
Assigned for specific purposes		67,611
Unassigned		8,296,388
Restricted for special revenue trust		56,391
Restricted for other debt service retirement		779,171
Food service fund:		
Nonspendable inventory		6,298
Nonspendable prepaid expenses		877
Restricted for food service		98,901
Assigned for community service		25,943
Assigned for other special projects		79,815
Total	<u>\$</u>	<u>9,550,843</u>

8. Employee Retirement Plans

All eligible School District of Fort Atkinson employees participate in the Wisconsin Retirement System (“WRS”), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All 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 1,200 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. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective 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 contributions unless provided by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%

The payroll for School District of Fort Atkinson employees covered by the WRS for the year ended June 30, 2013 was \$16,453,999; the employer's total payroll was \$17,592,308. The total required contribution for the year ended June 30, 2013 was \$2,067,520 which consisted of \$1,033,760, or 6.3% of payroll from the employer and \$1,033,760, or 6.3% of payroll from employees. Total contributions for the year ending June 30, 2012 and 2011 were \$1,894,726 and \$1,853,119, respectively, equal to the required contributions for each year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

8. Employee Retirement Plans

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 on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 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.

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, 2012, the date of the latest actuarial valuation:

Retirees	65
Active	424
Number of participating employees	489

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. 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 and stipend costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan.

	OPEB	Stipend	Total
Annual required contribution (ARC)	\$ 1,105,025	\$ 29,313	1,134,338
Interest on net OPEB/stipend obligation	73,595	14,940	88,535
Adjustment to ARC	(65,209)	19,833	(45,376)
Annual OPEB / stipend cost (expense)	1,113,411	64,086	1,177,497
Contributions made	(1,052,194)	(81,250)	(1,133,444)
Change in net OPEB / stipend obligation	61,217	(17,164)	44,053
Net OPEB/stipend obligation – beginning of year	1,338,096	332,000	1,670,096
Net OPEB/stipend obligation – end of year	\$ 1,399,313	\$ 314,836	1,714,149

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 were as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
2013	\$	1,113,411	95%	\$	1,399,313
2012		1,055,601	99%		1,338,096
2011		1,247,068	69%		1,324,023

The District's annual stipend (supplement pension costs), the percentage of annual supplemental pension costs contributed to the plan, and the net supplemental pension benefits obligation for the year ended June 30, 2013 were as follows:

<u>Fiscal Year Ended</u>		<u>Annual Supplemental Pension Cost</u>	<u>Percentage of Annual Supplemental Pension Costs Contributed</u>		<u>Net Supplemental Pension Obligation</u>
2013	\$	154,879	127%	\$	314,836
2012		N/A	N/A		N/A
2011		N/A	N/A		N/A

The study performed as of July 1, 2012 is the only study performed on the supplemental pension liability. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

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

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2012
Actuarial cost method	Unit credit
Amortization method	30 year open 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 position, 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. As of July 1, 2012, the most recent actuarial valuation date, the District's net stipend liability, as defined by GASB Statement No. 68 was \$368,020.

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

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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

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>		
2014	\$	46,000
2015		46,000
2016		<u>23,000</u>
Total	\$	<u>115,000</u>

14. Commitments and Contingencies

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, 2013, are not likely to have a materially adverse impact on the District's financial position.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

15. Prior Period Adjustment

An adjustment has been made to the June 30, 2012 net position in the government-wide statement of activities. As a result of a physical inventory taken of capital assets by an appraisal company, a significant amount of capital assets were identified, which had not been previously capitalized. A prior period adjustment of \$430,337 was made to record the net book value of these capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Funding Progress - OPEB
June 30, 2013

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%
7/1/2012	\$ 156,988	\$ 12,054,639	\$ 11,897,651	1.30%	\$ 16,193,451	73.47%

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.

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

Schedule of Funding Progress - Stipend
June 30, 2013

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
7/1/2012	\$ -	\$ 368,020	\$ 368,020	0.00%	\$ 16,193,451	2.27%

The District is required to present the above information for the three most recent actuarial studies. The above reference study was performed as of July 1, 2012 and is the only study performed. Once there have been three actuarial studies completed, information pertaining to the three most recent actuarial studies will be presented.

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

See Independent Auditors' Report

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Employer Contributions
Year Ended June 30, 2013

Year Ended June 30,	OPEB			Stipend		
	Annual Required Contribution	Actual Contribution	Percent Contributed	Annual Required Contribution	Actual Contribution	Percent Contributed
2011	\$ 1,260,008	\$ 859,126	68.18%	N/A	N/A	N/A
2012	1,047,303	1,041,528	99.45%	N/A	N/A	N/A
2013	1,105,025	1,052,194	95.22%	\$ 29,313	\$ 81,250	277%

See Independent Auditors' Report

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local	\$ 12,180,988	\$ 12,180,988	\$ 12,182,843	\$ 1,855
Interdistrict payments within Wisconsin	1,068,581	1,068,581	1,063,751	(4,830)
Intermediate sources	---	4,000	---	(4,000)
State	15,737,553	15,742,015	15,743,760	1,745
Federal	696,463	710,353	577,477	(132,876)
Other	96,770	96,770	71,533	(25,237)
Total revenues	<u>29,780,355</u>	<u>29,802,707</u>	<u>29,639,364</u>	<u>(163,343)</u>
Expenditures:				
Instruction:				
Current	15,683,029	15,684,188	15,494,605	189,583
Interdistrict	464,708	464,708	464,922	(214)
Capital outlay	37,600	52,027	48,134	3,893
Support Services:				
Current	10,313,688	10,338,611	10,410,645	(72,034)
Capital outlay	---	29,980	5,600	24,380
Debt service	1,452	1,452	1,452	---
Total expenditures	<u>26,500,477</u>	<u>26,570,966</u>	<u>26,425,358</u>	<u>145,608</u>
Excess of revenues over expenditures	3,279,878	3,231,741	3,214,006	(17,735)
Other Financing Sources (uses):				
Operating transfers in (out)	(2,996,146)	(3,014,283)	(2,932,761)	81,522
Net change in fund balances	<u>283,732</u>	<u>217,458</u>	<u>281,245</u>	<u>63,787</u>
Fund Balances - Beginning of year	<u>8,222,202</u>	<u>8,222,202</u>	<u>8,222,202</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 8,505,934</u>	<u>\$ 8,439,660</u>	<u>\$ 8,503,447</u>	<u>\$ 63,787</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2013

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Interdistrict payments within Wisconsin	\$ 4,318	\$ 4,318	\$ 29,803	\$ 25,485
Intermediate sources	14,000	14,000	10,674	(3,326)
State	1,022,536	1,022,536	1,080,241	57,705
Federal	744,727	754,573	852,554	97,981
Total revenues	<u>1,785,581</u>	<u>1,795,427</u>	<u>1,973,272</u>	<u>177,845</u>
Expenditures:				
Instruction:				
Current	3,813,871	3,819,149	3,884,471	(65,322)
Interdistrict	---	---	22,241	(22,241)
Capital outlay	16,400	16,400	17,010	(610)
Support Services:				
Current	951,456	974,161	982,505	(8,344)
Total expenditures	<u>4,781,727</u>	<u>4,809,710</u>	<u>4,906,227</u>	<u>(96,517)</u>
Excess of revenues over expenditures	(2,996,146)	(3,014,283)	(2,932,955)	81,328
Other Financing Sources (uses):				
Operating transfers in (out)	<u>2,996,146</u>	<u>3,014,283</u>	<u>2,932,955</u>	<u>(81,328)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Notes to Required Supplemental Information

Year Ended June 30, 2013

1. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note A to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the difference between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	<u>General Fund</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 29,639,364	\$ 1,973,272
Reclassification of special education	1,973,272	(1,973,272)
Total Revenues (GAAP)	<u>31,612,636</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	26,425,358	4,906,227
Reclassification of special education	4,906,227	(4,906,227)
Total Expenditures (GAAP)	<u>31,331,585</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,214,006	(2,932,955)
Reclassification of special education	(2,932,955)	2,932,955
Excess of Revenues Over (Under) Expenditures (GAAP)	<u>281,051</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,932,761)	2,932,955
Reclassification of special education	2,932,955	(2,932,955)
Total Other Financing Sources (Uses) (GAAP)	<u>194</u>	<u>---</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis) (GAAP)	<u>281,245</u>	<u>---</u>
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis) (GAAP)	<u>8,222,202</u>	<u>---</u>
Fund Balance - End of Year		
Actual amounts (budgetary basis) (GAAP)	<u>\$ 8,503,447</u>	<u>\$ ---</u>

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds						Total
	Special Revenue Trust	Other Special Projects	Food Service	Package- Cooperative	Community Service	Debt Service	
Assets							
Cash	\$ 56,391	\$ 79,815	\$ 126,119	\$ ---	\$ 25,943	\$ 779,171	\$ 1,067,439
Due from other governments	---	---	18,646	23,780	---	---	42,426
Inventory	---	---	6,298	---	---	---	6,298
Prepaid expense	---	---	877	---	---	---	877
Total assets	\$ 56,391	\$ 79,815	\$ 151,940	\$ 23,780	\$ 25,943	\$ 779,171	\$ 1,117,040
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ ---	\$ ---	\$ 81	\$ ---	\$ ---	\$ ---	\$ 81
Withholdings and related fringes payable	---	---	11,656	---	---	---	11,656
Accrued payroll	---	---	14,965	---	---	---	14,965
Due to other funds	---	---	---	23,780	---	---	23,780
Unearned revenues	---	---	19,162	---	---	---	19,162
Total liabilities	---	---	45,864	23,780	---	---	69,644
Fund Balances							
Nonspendable	---	---	7,175	---	---	---	7,175
Restricted	56,391	---	98,901	---	---	779,171	934,463
Assigned	---	79,815	---	---	25,943	---	105,758
Total fund balances	56,391	79,815	106,076	---	25,943	779,171	1,047,396
Total liabilities and fund balances	\$ 56,391	\$ 79,815	\$ 151,940	\$ 23,780	\$ 25,943	\$ 779,171	\$ 1,117,040

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, 2013

	<u>Special Revenue Funds</u>						<u>Total</u>
	<u>Special</u>	<u>Other</u>	<u>Food</u>	<u>Package-</u>	<u>Community</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Special</u>					
	<u>Trust</u>	<u>Projects</u>					
Revenues:							
Local	\$ 151,500	\$ 580,054	\$ 649,745	\$ ---	\$ 92,567	\$ 3,196,579	\$ 4,670,445
Interdistrict payments within Wisconsin	---	---	---	19,311	---	---	19,311
State	---	---	23,285	---	---	---	23,285
Federal	---	---	652,026	34,660	---	---	686,686
Total revenues	151,500	580,054	1,325,056	53,971	92,567	3,196,579	5,399,727
Expenditures:							
Instruction:							
Current	98,230	488,756	---	50,395	---	---	637,381
Support Services:							
Current	1,112	11,483	1,382,065	3,382	81,455	---	1,479,497
Debt service	---	---	---	---	---	3,228,107	3,228,107
Total expenditures	99,342	500,239	1,382,065	53,777	81,455	3,228,107	5,344,985
Excess (deficiency) of revenues over (under) expenditures	52,158	79,815	(57,009)	194	11,112	(31,528)	54,742
Other Financing Sources (uses):							
Operating transfers out	---	---	---	(194)	---	---	(194)
Net change in fund balances	52,158	79,815	(57,009)	---	11,112	(31,528)	54,548
Fund Balances - Beginning of year	4,233	---	163,085	---	14,831	810,699	992,848
Fund Balances - End of year	\$ 56,391	\$ 79,815	\$ 106,076	\$ ---	\$ 25,943	\$ 779,171	\$ 1,047,396

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2013

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/13</u>
Assets				
Cash	\$ 146,500	\$ 293,439	\$ (358,080)	\$ 81,859
Investments	5,000	---	---	5,000
Total assets	<u>\$ 151,500</u>	<u>\$ 293,439</u>	<u>\$ (358,080)</u>	<u>\$ 86,859</u>
Liabilities				
Due to student groups				
High School	\$ 118,434	\$ 252,353	\$ (306,135)	\$ 64,652
Middle School	15,006	12,284	(25,898)	1,392
Barrie Elementary School	5,723	8,893	(7,028)	7,588
Luther Elementary School	4,045	7,874	(6,698)	5,221
Purdy Elementary School	1,102	190	(147)	1,145
Rockwell Elementary School	7,190	11,845	(12,174)	6,861
Total liabilities	<u>\$ 151,500</u>	<u>\$ 293,439</u>	<u>\$ (358,080)</u>	<u>\$ 86,859</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2013

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Unearned) Revenue at 7/1/12	Receipts	State Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/13
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 1,080,241	\$ 1,080,241	\$ ---
State school lunch	255.102	---	13,821	13,821	---
Common school fund library aid	255.103	---	91,100	91,100	---
Pupil transportation	255.107	---	25,503	25,503	---
Wisconsin morning milk program	255.109	---	4,499	4,499	---
Equalization aids	255.201	277,665	15,911,383	15,917,145	283,427
Peer review and mentoring	255.301	---	4,462	4,462	---
Alcohol and drug abuse	255.306	---	3,971	3,971	---
School breakfast program	255.344	---	4,965	4,965	---
Per pupil adjustment aid	255.925	---	141,750	141,750	---
Passed through CESA #2					
Special education and school-age parents	255.101	---	7,578	10,674	3,096
Passed through Waukesha School District					
Special education and school-age parents	255.101	---	3,671	7,442	3,771
Total		<u>\$ 277,665</u>	<u>\$ 17,292,944</u>	<u>\$ 17,305,573</u>	<u>\$ 290,294</u>

** Total DPI aidable expenditures for the year ended June 30, 2013 were \$4,212,409.

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Unearned) Revenue at 7/1/12	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/13
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ 2,414	\$ 77,102	\$ 77,698	\$ 3,010
Donated Commodities	10.555	---	77,360	77,360	---
Food Service Aid - Lunch	10.555	12,403	493,735	496,968	15,636
Total U.S. Department of Agriculture		<u>14,817</u>	<u>648,197</u>	<u>652,026</u>	<u>18,646</u>
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
Title I Cluster:					
ESEA Title IA Basic	84.010	172,307	325,318	385,651	232,640
Special Education Cluster:					
IDEA Flow Through	84.027	152,585	673,974	612,469	91,080
IDEA Seclusion & Restraint	84.027	---	---	1,568	1,568
IDEA Preschool Entitlement	84.173	3,069	10,303	12,104	4,870
Special Education Cluster Subtotal		<u>155,654</u>	<u>684,277</u>	<u>626,141</u>	<u>97,518</u>
ESEA Title IV-B 21st Century CLC	84.287	31,928	84,614	84,681	31,995
ESEA Title II-A Teacher Principal Training	84.367	46,026	93,861	107,146	59,311
ESEA Title III-A English Language Acquisition	84.365	17,844	42,567	24,917	194
ESEA Title III-A Immigrant Discretionary	84.365	1,163	1,163	9,745	9,745
Passed through the School District of Jefferson:					
Carl Perkins	84.048	10,975	16,443	19,311	13,843
Total U.S. Department of Education		<u>435,897</u>	<u>1,248,243</u>	<u>1,257,592</u>	<u>445,246</u>
U.S. Department of Health and Human Services					
Medical Assistance Program	93.778	35,041	249,041	226,413	12,413
Total		<u>\$ 485,755</u>	<u>\$ 2,145,481</u>	<u>\$ 2,136,031</u>	<u>\$ 476,305</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2013

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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

October 30, 2013
Milwaukee, Wisconsin

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

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

Report on Compliance for Each Major Federal Program

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 *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 or 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

Basis for Qualified Opinion on CFDA 93.778 – Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding CFDA 93.778 – Medical Assistance Program as described in finding number 2013-002 for Activities Allowed or Unallowed and Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on 93.778 – Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778 – Medical Assistance Program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the *Wisconsin Public School District Audit Manual* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance with OMB Circular A-133 and 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Summary of Auditors' Results as item 2013-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Summary of Auditors' Results as items 2013-001 and 2013-003 to be significant deficiencies.

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

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

October 30, 2013
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

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.

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, 2013

Section I. Summary of Auditors Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 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? | Yes |
| B. Material weaknesses identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | |
| Nutrition Cluster | Unmodified |
| Special Education Cluster | Unmodified |
| Medical Assistance Program | Qualified |
| 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
93.778	Medical Assistance Program

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(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: | Unmodified |
| 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
255.925	Per Pupil Adjustment 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, 2013
(Continued)

Section III. Federal and State Award Findings and Questioned Costs

2013-001

Department: United States Department of Health and Human Services
Program Name: Medical Assistance Program
Federal #: 93.778

Condition

Completion of the annual Medicaid Cost Report was not completed properly. Annually the District must file with Wisconsin Medicaid the Individualized Education Program Ratio (IEP Ratio). The IEP Ratio is used to apportion Medicaid allowable costs versus total special education costs for direct medical services. The numerator of the IEP Ratio is the number of students with a prescribed Medical Service in their IEP.

Criteria

In our testing, we noted one student who was included in the District's IEP Ratio that did not have a prescribed Medical Service in their IEP.

Cause

The inclusion of this student in the IEP Ratio was an administrative oversight.

Effect

The District over-reported the number of Medicaid-Eligible students in their IEP ratio.

Recommendation

The District should ensure all students included in the IEP Ratio have a prescribed Medical Service in their IEP.

District's Response

We will review all specialized transportation students included in our ratio to ensure that the student has the service listed in his / her IEP. This will be reviewed by both the Director of Pupil Services and his Secretary. Furthermore, the district will review the option of contracting with a third party Medicaid billing vendor to work with the district.

2013-002

Department: United States Department of Health and Human Services
Program Name: Medical Assistance Program
Federal #: 93.778

Condition

Completion of the annual Medicaid Cost Report was not completed properly. Annually the District must file with Wisconsin Medicaid the wages and benefits of direct medical service providers with whom the District requests reimbursement from Wisconsin Medicaid. The Wisconsin Medicaid School Based Services Handbook states, "Wisconsin Medicaid does not reimburse for services performed by providers whose positions are entirely funded by federal dollars".

Criteria

During our testing, we noted two employees who had their respective wages and benefits charged in full to Medicaid; however a portion of these same wages and benefits were also charged to the federal grant CFDA # 84.027, Special Education-Grants to States (IDEA). In addition, there were also contracted costs that were also charged to both federal grants. The District did not report the dollar amount reimbursed by the IDEA grant to Medicaid. The costs claimed on the IDEA grant and the Medicaid grant would be considered unallowable for Medicaid.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)

Section III. Federal and State Award Findings and Questioned Costs (Continued)

2013-002 (Continued)

Questioned Costs

The total amount of costs charged to both the Medicaid and IDEA were \$82,820.

Cause

Not reporting the expenditures reimbursed by the IDEA grant to Medicaid was an oversight by the District.

Effect

Claiming unallowable costs may result in denial of Medicaid payment for the services.

Recommendation

Quarterly, when claiming expenses for Medicaid, we recommend the District identify expenses that were charged to other federal grants and correctly note this on their Medicaid claims.

District's Response

The Director of Pupil Services and his Secretary will review all employees listed on our Medicaid Annual Cost report and make sure that no employee who is funded by IDEA or any other federal funding source be included on this report. Furthermore, the district will review the option of contracting with a third party Medicaid billing vendor to work with the district.

2013-003

Department: United States Department of Health and Human Services

Program Name: Medical Assistance Program

Federal #: 93.778

Condition

OMB A-87 states that charges to federal awards for salaries and wages should be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by the responsible official of the governmental unit.

Criteria

During our testing, we noted that wages and benefits charged to Medicaid are based on budgeted numbers and not actual time worked.

Cause

The District was unaware that charging budget estimates was not allowable for federal awards.

Effect

Claiming unallowable costs may result in denial of Medicaid payment for the services.

Recommendation

Quarterly, when claiming wages and benefits for Medicaid, we recommend the District charges actual wages and benefits rather than budget estimates.

District's Response

The Director of Pupil Services and his Secretary will use actual salary and benefits numbers provided by the business office (via payroll) for each quarterly claim. Furthermore, the district will review the option of contracting with a third party Medicaid billing vendor to work with the district.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(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 30, 2013