

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2014

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Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

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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, 2014, 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.

Auditors' 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 auditors' 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, 2014, 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 supplementary 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 relates 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2014 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.

November 14, 2014
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014

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 2014 by \$25,221,979 (*net position*). For the year, net position increased by \$326,101.

Total governmental fund revenues were \$37,648,085; including \$15,189,717 of property taxes, \$16,367,585 of state and federal general aid, and \$2,067,639 of charges for services. Total expenditures were \$38,043,918 including \$21,235,332 for direct instruction.

The following events took place during fiscal 2014:

- 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 and expired on June 30, 2014. In April, 2014 the District again asked for funds through an operational referendum, this time for \$1.75 million per year for three years. This referendum was approved by approximately 60% of the voters and will expire on June 30, 2017.
- Due to a large increase in state equalization aid, 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 the District the ability to pass the aforementioned referendum with a decrease in the tax levy in fiscal year 2015.
- 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* and in FY 2014 none of the three local unions filed for recertification to be able to collectively bargain under the new Act 10 rules.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(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, 2014

(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, 2014
(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 fall within the following category:

- *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.

FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(Continued)

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, 2014. The District's combined net position increased by \$326,101 (1.31%) to \$25,221,979. 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, 2013	June 30, 2014
Current and other assets	\$ 12,808,935	\$ 12,661,542
Capital assets	32,174,920	30,227,959
TOTAL ASSETS	44,983,855	42,889,501
Unamortized loss on refunding	188,334	141,251
TOTAL DEFERRED OUTFLOWS		
Long-term debt	14,880,000	12,629,935
Other liabilities	5,396,310	5,178,838
TOTAL LIABILITIES	20,276,310	17,808,773
Net position:		
Net investment in		
capital assets	16,228,922	17,992,959
Restricted	941,638	827,378
Unrestricted	7,725,319	6,401,642
TOTAL NET POSITION	\$ 24,895,879	\$ 25,221,979

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

Table 2		
Changes in Net Assets from Operating Results		
Total School District		
	<u>For the Year Ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,228,053	\$ 2,067,639
Operating grants & contributions	3,857,850	3,866,042
Capital grants & contributions	30,000	--
General Revenues		
Property taxes	15,189,717	15,189,717
State formula aid	15,555,313	16,271,660
Other	<u>135,057</u>	<u>232,706</u>
TOTAL REVENUES	36,995,990	37,627,764
Expenses		
Instruction	20,753,538	22,559,958
Pupil & instructional services	2,993,491	3,061,073
Administration & finance	2,536,255	2,412,956
Maintenance & operations	3,881,548	4,132,890
Transportation	1,131,618	1,234,200
Food Service	1,389,055	1,397,363
Interest on debt	748,420	669,650
Other	<u>2,279,206</u>	<u>1,387,442</u>
TOTAL EXPENSES	35,713,131	36,855,532
INCREASE (DECREASE)		
IN NET POSITION	<u>\$ 1,282,859</u>	<u>\$ 772,232</u>

The District relies primarily on property taxes (40.37% of total governmental revenues), and state formula aid (43.24%) to fund governmental activities.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(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, 2013		Year Ended June 30, 2014	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Expenses				
Instruction	\$ 20,753,538	\$ 16,129,858	\$ 22,559,958	\$ 18,144,301
Pupil & instructional services	2,993,491	2,902,391	3,061,073	2,968,534
Administration & finance	2,536,255	2,536,255	2,412,956	2,412,956
Maintenance & operations	3,881,548	3,864,758	4,132,890	4,120,624
Transportation	1,131,618	1,106,115	1,234,200	1,211,676
Food Service	1,389,055	64,408	1,397,363	30,483
Interest on debt	748,420	748,420	669,650	669,650
Other	2,279,206	2,245,023	1,387,442	1,363,627
TOTAL EXPENSES	<u>\$ 35,713,131</u>	<u>\$ 29,597,228</u>	<u>\$ 36,855,532</u>	<u>\$ 30,921,851</u>

The cost of all governmental activities this year was \$36,855,532. Individuals who directly participated in or benefited from a program offering, paid for or had paid on their behalf \$2,067,639 of the costs. Federal and state governments and donors subsidized certain programs with grants and contributions of \$3,866,042. The net cost of governmental activities (\$30,921,851) was financed by general revenues of the District (\$15,189,717 property taxes, \$16,271,660 state formula aid, and \$232,706 other).

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$9,155,010, down from last year's ending fund balance of \$9,550,843.

- The general fund had a decrease in fund balance of \$299,976. This decrease was budgeted for FY 2014 due to it being in the last year of a three-year operations referendum where the amount each year was static.
- The non-major funds had a decrease of \$95,857. 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 General Fund's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues of \$30,682,585 and expenditures of \$31,159,600.

Actual results for the year show expenditures exceeding revenues by \$299,976, which is \$177,039 better than the *original* budget.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the District had invested \$55,558,795 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$25,330,836. Asset acquisitions for governmental activities totaled \$101,453. The District recognized depreciation expense of \$1,581,963. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

Table 4
Capital Assets
(net of depreciation)

	Governmental Activities		Total %
	2013	2014	Change 2013-14
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	50,070,588	50,142,474	0.1%
Furniture and equipment	6,058,260	4,350,323	-28.2%
Accumulated depreciation	(25,019,926)	(25,330,836)	1.2%
TOTAL	\$ 32,174,920	\$ 30,227,959	-6.1%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2014
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At year-end the District had \$14,174,935 in bonds payable and other long-term debt outstanding – a decrease of \$2,687,481 (15.94%) from fiscal year 2013. This decrease resulted from scheduled debt repayment. (Detailed information about the District’s long-term liabilities is presented in Note 4 to the financial statements.)

Table 5			
Outstanding Long-term Obligations			
	Total School District		Total % Change
	2013	2014	2013-14
General obligation bonds	\$ 14,880,000	\$ 12,235,000	-17.8%
Retirement stipends	314,836	304,624	-3.2%
Compensated absences	268,267	289,004	7.7%
Other post employment benefits	1,399,313	1,346,307	-3.8%
TOTAL	\$ 16,862,416	\$ 14,174,935	-15.9%

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, 2014
(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 represents 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 was 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 this referendum, the District sought approval of an operational referendum on April 1, 2014. That referendum passed with nearly 60% of the vote and will provide operational relief in the amount \$1.75 million each year for the next three years (2014-2017).
- As of this writing, the November, 2014 elections have been completed. In Wisconsin the Republican party holds the majority in both the Senate and Assembly along with the re-election of Republican Scott Walker as Governor. In the days following the election several high profile Republicans, including the Governor, have stated that they want to eliminate the Common Core Standards in Wisconsin and lift the cap on the state funded private school voucher program along with other major educational priorities. In evaluating this rhetoric, public education leaders across the state are concerned about what all of these priorities may mean for public education institutions over the next two to four years. The Governor will release his proposed budget in February, 2015 and leaders of both the Senate and Assembly have all but guaranteed a quick approval so the Governor can focus on a Presidential campaign if he so desires. The Governor's proposed budget will set the stage for the funding of public education in Wisconsin for the next few years and many people in public education circles are not optimistic about what it may hold.

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 P. Demerath, CSRM, Director of Business Services, 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, 2014

	Governmental Activities
Assets:	
Current assets	
Cash	\$ 6,687,568
Taxes receivable	4,586,900
Accounts receivable	1,256
Due from other governments	1,269,435
Inventory	4,574
Prepaid expense	111,809
Total current assets	12,661,542
Noncurrent assets	
Nondepreciable land	1,065,998
Depreciable capital assets, net of accumulated depreciation	29,161,961
Total noncurrent assets	30,227,959
Total assets	42,889,501
Deferred Outflows of Resources:	
Unamortized loss on refunding	141,251
Liabilities:	
Current liabilities	
Accounts payable	164,620
Withholdings and related fringes payable	1,434,784
Accrued interest	127,306
Accrued salaries and related items	1,887,061
Unearned revenues	20,067
Long-term debt obligations due within one year	1,545,000
Total current liabilities	5,178,838
Noncurrent liabilities	
Long-term debt obligations due in more than one year	10,690,000
Accrued vacation	289,004
Retirement stipends	304,624
Other post-employment benefits	1,346,307
Total noncurrent liabilities	12,629,935
Total liabilities	17,808,773
Net Position:	
Net investment in capital assets	17,992,959
Restricted for:	
Debt service	727,811
Food service	83,807
Other activities	15,760
Unrestricted	6,401,642
Total net position	\$ 25,221,979

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, 2014

	Program Revenues			Net
				(Expenses)
<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>		<u>Revenues and</u>
	<u>Services</u>	<u>Grants and</u>		<u>Changes in</u>
		<u>Contributions</u>		<u>Net Position</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 15,296,481	\$ 1,293,134	\$ 1,118,369	\$ (12,884,978)
Special education instruction	4,545,863	38,059	1,931,491	(2,576,313)
Vocational instruction	1,167,509	---	---	(1,167,509)
Other instruction	1,550,105	34,604	---	(1,515,501)
Total instruction	22,559,958	1,365,797	3,049,860	(18,144,301)
Support services:				
Pupil services	1,360,371	---	---	(1,360,371)
Instructional staff services	1,700,702	---	92,539	(1,608,163)
Administration services	2,412,956	---	---	(2,412,956)
Operation and maintenance of plant	4,132,890	12,266	---	(4,120,624)
Pupil transportation	1,234,200	---	22,524	(1,211,676)
Central services	920,362	---	---	(920,362)
Other support services	382,448	---	---	(382,448)
Community services	84,632	23,815	---	(60,817)
Food service	1,397,363	665,761	701,119	(30,483)
Interest on long-term debt	669,650	---	---	(669,650)
Total support services	14,295,574	701,842	816,182	(12,777,550)
Total school district	\$ 36,855,532	\$ 2,067,639	\$ 3,866,042	(30,921,851)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				11,889,781
Property taxes, levied for debt service				3,240,634
Property taxes, levied for specific purposes				58,384
Other taxes				918
Federal and state aid not restricted to specific purposes:				
General				16,271,660
Other				95,925
Interest and investment earnings				16,060
Loss on disposal of assets				(20,320)
Miscellaneous				141,041
Changes in net position				772,232
Net position - beginning of year				24,895,878
Prior period adjustment				(446,131)
Net position - beginning of year as adjusted				24,449,747
Net position - end of year				\$ 25,221,979

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, 2014

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 5,694,636	\$ 992,932	\$ 6,687,568
Taxes receivable	4,586,900	---	4,586,900
Accounts receivable	351	905	1,256
Due from other funds	41,087	---	41,087
Due from other governments	1,215,298	54,137	1,269,435
Inventory	---	4,574	4,574
Prepaid expense	109,238	2,571	111,809
Total assets	<u>\$ 11,647,510</u>	<u>\$ 1,055,119</u>	<u>\$ 12,702,629</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 149,739	\$ 14,881	\$ 164,620
Withholdings and related fringes payable	1,422,675	12,109	1,434,784
Accrued payroll	1,871,625	15,436	1,887,061
Due to other funds	---	41,087	41,087
Unearned revenues	---	20,067	20,067
Total liabilities	<u>3,444,039</u>	<u>103,580</u>	<u>3,547,619</u>
Fund Balances			
Nonspendable	109,238	7,145	116,383
Restricted	---	820,233	820,233
Assigned	99,442	124,161	223,603
Unassigned	7,994,791	---	7,994,791
Total fund balances	<u>8,203,471</u>	<u>951,539</u>	<u>9,155,010</u>
Total liabilities and fund balances	<u>\$ 11,647,510</u>	<u>\$ 1,055,119</u>	<u>\$ 12,702,629</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, 2014

Total fund balances - governmental funds \$ 9,155,010

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	\$ 55,558,795	
Accumulated depreciation	<u>(25,330,836)</u>	
		30,227,959

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	12,235,000	
Unamortized loss on refunding	(141,251)	
Accrued vacation	289,004	
Retirement stipends	<u>304,624</u>	
		(12,687,377)

The post-employment benefit liability is not currently payable and thus not reported in the governmental funds. (1,346,307)

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. (127,306)

Total net position - governmental activities \$ 25,221,979

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, 2014

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local	\$ 12,123,545	\$ 4,322,748	\$ 16,446,293
Interdistrict payments within Wisconsin	1,182,366	20,490	1,202,856
Intermediate sources	7,311	---	7,311
State	17,647,621	47,299	17,694,920
Federal	1,447,705	707,958	2,155,663
Other	141,042	---	141,042
Total revenues	<u>32,549,590</u>	<u>5,098,495</u>	<u>37,648,085</u>
 Expenditures:			
Instruction:			
Current	20,169,977	388,566	20,558,543
Interdistrict	647,222	---	647,222
Capital outlay	29,567	---	29,567
Support Services:			
Current	11,929,462	1,511,175	13,440,637
Capital outlay	71,886	---	71,886
Debt service	1,452	3,294,611	3,296,063
Total expenditures	<u>32,849,566</u>	<u>5,194,352</u>	<u>38,043,918</u>
Deficit of revenues over expenditures	(299,976)	(95,857)	(395,833)
 Fund Balances - Beginning of year	 <u>8,503,447</u>	 <u>1,047,396</u>	 <u>9,550,843</u>
 Fund Balances - End of year	 <u>\$ 8,203,471</u>	 <u>\$ 951,539</u>	 <u>\$ 9,155,010</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, 2014

Total net change in fund balances - governmental funds \$ (395,833)

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	\$ (1,581,963)	
Capital outlays	<u>101,453</u>	(1,480,510)

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. (20,320)

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	2,645,000
---------------	-----------

Amortization reduces the balance of the respective deferred outflow of resources. 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. (20,737)

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. 10,212

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. 53,006

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. 28,497

Change in net position of governmental activities \$ 772,232

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, 2014

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets			
Cash	\$ 28,234	\$ 11,310	\$ 99,142
Investments	1,105,279	306,476	5,000
Total assets	<u>1,133,513</u>	<u>317,786</u>	<u>104,142</u>
Liabilities			
Due to student groups	---	---	104,142
Net position			
Restricted	1,133,513	317,786	---
Total net position	<u>\$ 1,133,513</u>	<u>\$ 317,786</u>	<u>\$ 104,142</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
Additions		
Net investment income	\$ 123,929	\$ 2,760
Gifts	5,000	---
Contributions to employee benefit trust	---	1,166,800
Total additions	<u>128,929</u>	<u>1,169,560</u>
Deductions		
Trust fund disbursements	<u>27,046</u>	<u>1,111,238</u>
Change in net position	101,883	58,322
Net position - June 30, 2013	<u>1,031,630</u>	<u>259,464</u>
Net position - June 30, 2014	<u>\$ 1,133,513</u>	<u>\$ 317,786</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, 2014

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 accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). 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, 2014
(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, 2014
(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, 2014
(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, 2014 are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Receivables/Payables:			
General operations	General	Package - Cooperative	\$ <u>41,087</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 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, 2014
(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. Deferred Outflows and Inflows of Resources

Under GASB, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until then.

O. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed November 14, 2014. There was one subsequent event which requires disclosure. On October 27, 2014, the District approved a resolution to exceed the revenue limit on a non-recurring basis by \$130,000 to spend on an energy efficiency project in the 2014-2015 school year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(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	\$ 6,826,255	Custodial
Certificate of deposit	82,368	Custodial
Fixed income securities	532,979	Interest rate and credit
Mutual funds	214,786	Interest rate and credit
Equity securities	586,621	Interest rate and credit
Total cash and investments	<u>\$ 8,243,009</u>	

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

Statement of net position:	
Cash	\$ 6,687,568
Statement of fiduciary net position:	
Cash	138,686
Investments	<u>1,416,755</u>
Total cash and investments	<u>\$ 8,243,009</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, 2014
(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 financial institution. 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 and certificates of deposit was \$6,908,623 at June 30, 2014 and the bank's carrying value was \$7,881,327, of which \$834,159 was fully insured and \$7,046,165 was collateralized by pledged securities; \$1,003 was uninsured and uncollateralized.

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.

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	\$ 82,368	\$ 82,368	\$ ---	\$ ---	\$ ---
Fund income securities	532,979	24,790	508,189	---	---
Mutual funds	214,786	214,786	---	---	---
Equity securities	586,621	586,621	---	---	---
	<u>\$ 1,416,754</u>	<u>\$ 908,565</u>	<u>\$ 508,189</u>	<u>\$ ---</u>	<u>\$ ---</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:					
Capital assets not being depreciated:					
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ ---	\$ 1,065,998
Capital assets being depreciated:					
Buildings and improvements	50,070,588	---	71,886	---	50,142,474
Equipment	6,058,260	440,120	29,567	(2,177,624)	4,350,323
Total being depreciated	56,128,848	440,120	101,453	(2,177,624)	54,492,797
Less accumulated depreciation	(25,019,926)	(886,251)	(1,581,963)	2,157,304	(25,330,836)
Total being depreciated, net	31,108,922	(446,131)	(1,480,510)	(20,320)	29,161,961
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 32,174,920</u>	<u>\$ (446,131)</u>	<u>\$ (1,480,510)</u>	<u>\$ (20,320)</u>	<u>\$ 30,227,959</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 1,515,527
Administrative Services	1,855
Operation and maintenance of plant	55,063
Food service	9,518
Total depreciation for governmental activities	<u>\$ 1,581,963</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

4. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2013	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2014	Amounts due within <u>one year</u>
G.O. Bonds	\$ 14,880,000	\$ ---	\$ (2,645,000)	\$ 12,235,000	\$ 1,545,000
Retirement stipends	314,836	---	(10,212)	304,624	---
Compensated absences	268,267	20,737	---	289,004	---
Other post-employment benefits	1,399,313	1,181,987	(1,234,993)	1,346,307	---
Total	\$ 16,862,416	\$ 1,202,724	\$ (3,890,205)	\$ 14,174,935	\$ 1,545,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2014 on long-term liabilities was \$636,911 and \$608,415, respectively.

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, 2014 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, 2014
G.O. Refunding Bond	1/15/04	2 to 3.75%	4/1/2016	\$ 485,000
G.O. Refunding Bond	2/1/07	4 to 4.15%	4/1/2021	8,925,000
G.O. Promissory Note	4/4/07	4 to 4.25%	4/1/2017	435,000
G.O. Refunding Bond	1/4/08	4.0%	4/1/2016	2,390,000
Total				\$ 12,235,000

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,335,646,112. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,335,646,112)	\$ 133,564,611
Deduct long-term debt applicable to debt margin	<u>12,235,000</u>
Margin of indebtedness	<u>\$ 121,329,611</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

4. 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, 2014 is \$920,000.

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2014 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,545,000	\$ 314,346	\$ 1,859,346
2016	1,605,000	436,263	2,041,263
2017	1,670,000	372,313	2,042,313
2018	1,740,000	305,113	2,045,113
2019	1,815,000	235,513	2,050,513
2020-2021	<u>3,860,000</u>	<u>241,945</u>	<u>4,101,945</u>
	<u>\$ 12,235,000</u>	<u>\$ 1,905,493</u>	<u>\$ 14,140,493</u>

5. Excess of Actual Expenditures Over Budget in Individual Funds

The following major fund functions had an excess of actual expenditures over budget for the year ended June 30, 2014:

General Fund:

Vocational curriculum	\$	5,354
Co-curricular activities		2,452
General administration		5,694
School building administration		9,444
Business administration		20,066
Central services		89,472
Other support services		466
Transfers to another fund		45,964
Other non-program transactions		446

Special Education Fund:

Purchased instructional services	\$	62,145
----------------------------------	----	--------

The excess expenditures were funded by greater than anticipated revenues, as well as lower expenditures in other areas.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

6. Fund Balances

As of June 30, 2014, fund balances are composed of the following:

General fund:	
Nonspendable prepaid expenses	\$ 109,238
Assigned for specific purposes	99,442
Unassigned	7,994,791
Restricted for special revenue trust	15,760
Restricted for other debt service retirement	727,811
Food service fund:	
Nonspendable inventory	4,574
Nonspendable prepaid expenses	2,571
Restricted for food service	76,662
Assigned for community service	23,510
Assigned for other special projects	100,651
Total	<u>\$ 9,155,010</u>

7. Employee Retirement Plans

All eligible School District of Fort Atkinson employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All 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 2013 for employee and employer were 6.65 percent; this increased to 7.00 percent in 2014.

The payroll for School District of Fort Atkinson employees covered by the WRS for the year ended June 30, 2014 was \$16,403,245; the employer's total payroll was \$17,821,632. The total required contribution for the year ended June 30, 2014 was \$2,239,614 which consisted of \$1,119,807, or 6.8% of payroll from the employer and \$1,119,807, or 6.8% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012 were \$2,067,520 and \$1,894,726, respectively, equal to the required contributions for each year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

7. Employee Retirement Plans (Continued)

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

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

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

	<u>OPEB</u>	<u>Stipend</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 1,105,025	\$ 29,313	\$ 1,134,338
Interest on net OPEB/stipend obligation	76,962	14,168	91,130
Adjustment to ARC	(68,193)	18,807	(49,386)
Annual OPEB / stipend cost (expense)	1,113,794	62,288	1,176,082
Contributions made	(1,166,800)	(72,500)	(1,239,300)
Change in net OPEB / stipend obligation	(53,006)	(10,212)	(63,218)
Net OPEB/stipend obligation – beginning of year	1,399,313	314,836	1,714,149
Net OPEB/stipend obligation – end of year	\$ 1,346,307	\$ 304,624	\$ 1,650,931

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

8. 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, 2014 and the two preceding years 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>
2014	\$	1,113,794		83%	\$	1,346,307
2013		1,113,411		95%		1,399,313
2012		1,055,601		99%		1,338,096

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, 2014 and the two preceding years 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>
2014	\$	62,288		20%	\$	304,624
2013		64,086		20%		314,836
2012		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 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, 2014
(Continued)

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

Additional information as of the latest actuarial valuation follows:

	OPEB:	Stipend:
Actuarial valuation date	7/1/2012	7/1/2012
Actuarial cost method	Unit credit	Unit credit
Amortization method	30 year open level percent	20 year open level dollar & level percent
Remaining amortization period	30 years	20 years
Asset value method	Market value	Market value
Actuarial assumptions:		
Investment rate of return*	5.50%	4.50%
Projected payroll increases	3.00%	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%

9. 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.

10. Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. In 2006 the District was granted approval by voters to exceed this limit by \$694,000 per year for five years. This approval expired on June 30, 2011. A referendum to extend this authority for an additional three years was approved by voters. This authority will be in place until June 30, 2014. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

11. Risk Management

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

12. Operating Leases

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

Year ended <u>June 30,</u>		
2015	\$	46,000
2016		<u>23,000</u>
Total	\$	<u>69,000</u>

13. 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, 2014 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.

14. Prior Period Adjustment

An adjustment has been made to the June 30, 2013 net position in the government-wide statement of activities. As a result of a physical inventory taken of capital assets by a new appraisal company, certain adjustments were made to the capital asset balances. A prior period adjustment of (\$446,131) was made to record the net book value of these capital asset changes.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Funding Progress - OPEB
June 30, 2014

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
7/1/2008	\$ 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.

Schedule of Funding Progress - Stipend
June 30, 2014

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 was 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, 2014

Year Ended June 30,	OPEB			Stipend		
	Annual Required Contribution	Actual Contribution	Percent Contributed	Annual Required Contribution	Actual Contribution	Percent Contributed
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	277.18%
2014	1,105,025	1,166,800	105.59%	29,313	72,500	247.33%

See Independent Auditors' Report

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Local	\$ 12,133,567	\$ 12,135,780	\$ 12,121,745	\$ (14,035)
Interdistrict payments within Wisconsin	1,132,281	1,142,603	1,137,743	(4,860)
Intermediate sources	---	4,000	---	(4,000)
State	16,513,719	16,514,258	16,505,974	(8,284)
Federal	817,818	721,328	902,391	181,063
Other	85,200	182,737	141,042	(41,695)
Total revenues	<u>30,682,585</u>	<u>30,700,706</u>	<u>30,808,895</u>	<u>108,189</u>
Expenditures:				
Instruction:				
Current	16,234,462	16,064,331	16,084,489	(20,158)
Interdistrict	673,944	673,344	588,707	84,637
Capital outlay	58,180	147,025	29,567	117,458
Support Services:				
Current	10,582,775	10,708,969	10,822,105	(113,136)
Capital outlay	144,086	127,527	71,886	55,641
Debt service	1,452	1,452	1,452	---
Total expenditures	<u>27,694,899</u>	<u>27,722,648</u>	<u>27,598,206</u>	<u>124,442</u>
Excess of revenues over expenditures	2,987,686	2,978,058	3,210,689	232,631
Other Financing Sources (uses):				
Operating transfers in (out)	<u>(3,464,701)</u>	<u>(3,464,701)</u>	<u>(3,510,665)</u>	<u>(45,964)</u>
Net change in fund balances	(477,015)	(486,643)	(299,976)	186,667
Fund Balances - Beginning of year	<u>8,503,447</u>	<u>8,503,447</u>	<u>8,503,447</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 8,026,432</u>	<u>\$ 8,016,804</u>	<u>\$ 8,203,471</u>	<u>\$ 186,667</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local	\$ ---	\$ ---	\$ 1,800	\$ 1,800
Interdistrict payments within Wisconsin	31,810	31,810	44,623	12,813
Intermediate sources	12,000	12,000	7,311	(4,689)
State	1,107,226	1,107,226	1,141,647	34,421
Federal	681,397	681,397	545,314	(136,083)
Total revenues	1,832,433	1,832,433	1,740,695	(91,738)
Expenditures:				
Instruction:				
Current	4,156,633	4,147,633	4,085,488	62,145
Interdistrict	---	---	58,515	(58,515)
Capital outlay	9,600	9,600	---	9,600
Support Services:				
Current	1,128,901	1,137,901	1,107,357	30,544
Capital outlay	2,000	2,000	---	2,000
Total expenditures	5,297,134	5,297,134	5,251,360	45,774
Excess of revenues over expenditures	(3,464,701)	(3,464,701)	(3,510,665)	(45,964)
Other Financing Sources (uses):				
Operating transfers in (out)	3,464,701	3,464,701	3,510,665	45,964
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	\$ ---	\$ ---	\$ ---	\$ ---

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Notes to Required Supplemental Information

Year Ended June 30, 2014

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 1D 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:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 30,808,895	\$ 1,740,695
Reclassification of special education	1,740,695	(1,740,695)
Total Revenues (GAAP)	<u>32,549,590</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	27,598,206	5,251,360
Reclassification of special education	5,251,360	(5,251,360)
Total Expenditures (GAAP)	<u>32,849,566</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,210,689	(3,510,665)
Reclassification of special education	(3,510,665)	3,510,665
Excess of Revenues Over (Under) Expenditures (GAAP)	<u>(299,976)</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(3,510,665)	3,510,665
Reclassification of special education	3,510,665	(3,510,665)
Total Other Financing Sources (Uses) (GAAP)	<u>---</u>	<u>---</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis) (GAAP)	<u>(299,976)</u>	<u>---</u>
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis) (GAAP)	<u>8,503,447</u>	<u>---</u>
Fund Balance - End of Year		
Actual amounts (budgetary basis) (GAAP)	<u>\$ 8,203,471</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, 2014

	<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>	<u>Service</u>	<u>Cooperative</u>	<u>Service</u>	<u>Service</u>	
Assets							
Cash	\$ 15,760	\$ 101,807	\$ 123,916	\$ ---	\$ 23,638	\$ 727,811	\$ 992,932
Accounts receivable	---	---	905	---	---	---	905
Due from other governments	---	---	---	54,137	---	---	54,137
Inventory	---	---	4,574	---	---	---	4,574
Prepaid expense	---	---	2,571	---	---	---	2,571
Total assets	\$ 15,760	\$ 101,807	\$ 131,966	\$ 54,137	\$ 23,638	\$ 727,811	\$ 1,055,119
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ ---	\$ 1,156	\$ 547	\$ 13,050	\$ 128	\$ ---	\$ 14,881
Withholdings and related fringes payable	---	---	12,109	---	---	---	12,109
Accrued payroll	---	---	15,436	---	---	---	15,436
Due to other funds	---	---	---	41,087	---	---	41,087
Unearned revenues	---	---	20,067	---	---	---	20,067
Total liabilities	---	1,156	48,159	54,137	128	---	103,580
Fund Balances							
Nonspendable	---	---	7,145	---	---	---	7,145
Restricted	15,760	---	76,662	---	---	727,811	820,233
Assigned	---	100,651	---	---	23,510	---	124,161
Total fund balances	15,760	100,651	83,807	---	23,510	727,811	951,539
Total liabilities and fund balances	\$ 15,760	\$ 101,807	\$ 131,966	\$ 54,137	\$ 23,638	\$ 727,811	\$ 1,055,119

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, 2014

	<u>Special Revenue Funds</u>						<u>Total</u>
	<u>Special</u>	<u>Other</u>					
	<u>Revenue</u>	<u>Special</u>					
	<u>Trust</u>	<u>Projects</u>	<u>Service</u>	<u>Cooperative</u>	<u>Service</u>	<u>Service</u>	
Revenues:							
Local	\$ 44,127	\$ 287,083	\$ 666,088	\$ ---	\$ 82,199	\$ 3,243,251	\$ 4,322,748
Interdistrict payments within Wisconsin	---	---	---	20,490	---	---	20,490
State	---	---	23,740	23,559	---	---	47,299
Federal	---	---	677,379	30,579	---	---	707,958
Total revenues	44,127	287,083	1,367,207	74,628	82,199	3,243,251	5,098,495
Expenditures:							
Instruction:							
Current	79,504	263,468	---	45,594	---	---	388,566
Support Services:							
Current	5,254	2,779	1,389,476	29,034	84,632	---	1,511,175
Debt service	---	---	---	---	---	3,294,611	3,294,611
Total expenditures	84,758	266,247	1,389,476	74,628	84,632	3,294,611	5,194,352
Excess (deficiency) of revenues over (under) expenditures	(40,631)	20,836	(22,269)	---	(2,433)	(51,360)	(95,857)
Fund Balances - Beginning of year	56,391	79,815	106,076	---	25,943	779,171	1,047,396
Fund Balances - End of year	\$ 15,760	\$ 100,651	\$ 83,807	\$ ---	\$ 23,510	\$ 727,811	\$ 951,539

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2014

	<u>Balance</u>			<u>Balance</u>
	<u>7/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/14</u>
Assets				
Cash	\$ 81,859	\$ 305,939	\$ (288,656)	\$ 99,142
Investments	5,000	---	---	5,000
Total assets	<u>\$ 86,859</u>	<u>\$ 305,939</u>	<u>\$ (288,656)</u>	<u>\$ 104,142</u>
Liabilities				
Due to student groups				
High School	\$ 64,652	\$ 260,845	\$ (247,748)	\$ 77,749
Middle School	1,392	11,432	(11,682)	1,142
Barrie Elementary School	7,588	10,512	(6,812)	11,288
Luther Elementary School	5,221	12,852	(10,388)	7,685
Purdy Elementary School	1,145	254	---	1,399
Rockwell Elementary School	6,861	10,044	(12,026)	4,879
Total liabilities	<u>\$ 86,859</u>	<u>\$ 305,939</u>	<u>\$ (288,656)</u>	<u>\$ 104,142</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2014

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Unearned) Revenue at 7/1/13	Receipts	State Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/14
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 1,141,647	\$ 1,141,647	\$ ---
State school lunch	255.102	---	13,874	13,874	---
Common school fund library aid	255.103	---	92,539	92,539	---
Pupil transportation	255.107	---	22,524	22,524	---
Wisconsin morning milk program	255.109	---	4,954	4,954	---
Equalization aids	255.201	283,427	16,529,307	16,531,090	285,210
Peer review and mentoring	255.301	---	---	23,559	23,559
Alcohol and drug abuse	255.306	---	---	3,967	3,967
School breakfast program	255.344	---	4,912	4,912	---
Educator effectiveness grant	255.940	---	---	19,360	19,360
Per pupil adjustment aid	255.945	---	214,125	214,125	---
Passed through CESA #2					
Special education and school-age parents	255.101	3,096	10,407	7,311	---
Passed through Waukesha School District					
Special education and school-age parents	255.101	3,771	8,584	6,564	1,751
Total		<u>\$ 290,294</u>	<u>\$ 18,042,873</u>	<u>\$ 18,086,426</u>	<u>\$ 333,847</u>

** Total DPI aidable expenditures for the year ended June 30, 2014 were \$4,638,969.

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Unearned) Revenue at 7/1/13	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/14
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ 3,010	\$ 83,205	\$ 80,195	\$ ---
Donated Commodities	10.555	---	81,885	81,885	---
Food Service Aid - Lunch	10.555	15,636	530,934	515,298	---
Total U.S. Department of Agriculture		<u>18,646</u>	<u>696,024</u>	<u>677,378</u>	<u>---</u>
U.S. Department of Labor					
Passed through the Workforce Development Board of South Central Wisconsin:					
Passed through the Watertown School District:					
WIA Youth Activities	17.259	---	10,322	10,322	---
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
Title I Cluster:					
ESEA Title IA Basic	84.010	232,640	232,640	396,657	396,657
Special Education Cluster:					
IDEA Flow Through	84.027	91,080	317,613	477,882	251,349
IDEA Seclusion & Restraint	84.027	1,568	1,568	---	---
IDEA Preschool Entitlement	84.173	4,870	11,278	10,760	4,352
Special Education Cluster Subtotal		<u>97,518</u>	<u>330,459</u>	<u>488,642</u>	<u>255,701</u>
ESEA Title IV-B 21st Century CLC	84.287	31,995	68,248	87,804	51,551
ESEA Title II-A Teacher Principal Training	84.367	59,311	131,828	96,280	23,763
ESEA Title III-A English Language Acquisition	84.365	194	194	30,579	30,579
ESEA Title III-A Immigrant Discretionary	84.365	9,745	12,174	35,302	32,873
ESEA Title III-A Subtotal		<u>9,939</u>	<u>12,368</u>	<u>65,881</u>	<u>63,452</u>
Passed through the School District of Jefferson:					
Carl Perkins	84.048	13,843	34,333	20,490	---
Total U.S. Department of Education		<u>445,246</u>	<u>809,876</u>	<u>1,155,754</u>	<u>791,124</u>
U.S. Department of Health and Human Services					
Medical Assistance Program	93.778	12,413	341,403	343,019	14,029
Total		<u>\$ 476,305</u>	<u>\$ 1,857,625</u>	<u>\$ 2,186,473</u>	<u>\$ 805,153</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, 2014

1. General

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

2. Basis of Accounting

The accompanying schedule of expenditures of state and federal 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 AUDITORS' 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, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2014.

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.

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.

November 14, 2014
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' 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, 2014. 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.

Auditors' 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 and State 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 2014-004 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, 2014.

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, 2014.

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 2014-001, 2014-002, 2014-003, 2014-005 and 2014-006. 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 deficiency in internal control over compliance described in the accompanying schedule findings and questioned costs as items 2014-004 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 schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003, 2014-005 and 2014-006 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.

Purpose of this Report

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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

November 14, 2014
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

2013-001

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

Condition

The annual Medicaid Cost Report was not properly completed. 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.

Status

This was not a finding in the current year.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

2013-002

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

Condition

The annual Medicaid Cost Report was not properly completed. 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.

Questioned Costs

The total 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 them 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.

Status

This was a finding again in the current year and the \$82,820 of questioned costs was not corrected for the 2012-2013 Medicaid reporting.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

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.

Status

A similar finding is noted in this year's report.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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(ies) 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(ies) 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 |
| Title I Grants to Local Education Agencies | 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	School Breakfast Program
10.555	National School Lunch Program
84.010	Title I Grants to Local Education Agencies
93.778	Medical Assistance Program

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(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(ies) identified that are not considered to be material weaknesses?	Yes
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?	Yes
13. Identification of major state programs:	

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.201	Equalization Aid
255.945	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, 2014
(Continued)

Section III. Federal and State Award Findings and Questioned Costs

2014-001

Department: United States Department of Health and Human Services
Program Name: Medical Assistance Program
Federal #: 93.778
SBS C.4. Medicaid Eligibility Rate for Transportation One Way Trips Ratio

Condition

Completion of the annual Medicaid Cost Report was not completed properly. Annually the District must file with Wisconsin Medicaid the Transportation One-Way Trips Ratio. The numerator of the ratio is the total number of one-way trips taken by Medicaid eligible students with specialized transportation needs documented in their IEP, receiving a direct medical service on that day.

Criteria

In our testing, we noted the District does not have an ongoing program with sufficient internal control to accurately identify total one-way students trips on transportation reported.

Cause

The District was unaware of the requirement of accurately identifying the number of one-way trips.

Effect

The District estimated the number of one-way trips.

Recommendation

The District should create a program to accurately identify one-way trips taken by students receiving an IEP-prescribed direct medical service.

District's Response

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, Medicaid billing has been contracted out to a third party provider. Along with a transition to a third party provider for Medicaid billing, the District has worked with its contracted pupil transportation provider to track special education student trips to conform to law and this audit finding.

2014-002

Department: United States Department of Health and Human Services
Program Name: Medical Assistance Program
Federal #: 93.778
SBS A. Individual Education Program (IEP) and Consent to Bill Wisconsin Medicaid (M-5)

Condition

In order to be reimbursed by Medicaid, all school-based services must be identified in the Individual Education Program (IEP). No reimbursement can be made for a Medicaid-coverable service not specified in the student's IEP. In addition, all Districts are required to have a signed and dated "Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services," DPI form M-5, from the parent or guardian of a student with an IEP before claims for BadgerCare Plus services can be submitted.

Criteria

During our testing, we noted one student in our sample of 20 students in which the District requested reimbursements from Medicaid for a service that was not prescribed in the student's IEP. In addition, in our sample of 20 students, we noted two students that the District did not have a signed DPI form M-5 on file.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

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

2014-002 (Continued)

Cause

All three of these instances were administrative oversights by the District.

Effect

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

Recommendation

Prior to claiming reimbursement for any Medicaid service, the District should ensure the service being reimbursed for is prescribed in the student's IEP and that the District has parental consent to bill Medicaid on DPI form M-5.

District's Response

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, Medicaid billing has been contracted out to a third party provider. Along with a transition to a third party provider for Medicaid billing, the software used to track student data has been replaced and all staff trained on the new system. In the switch to the new software, all IEP's were updated to include all related services and conform to law and this audit finding. The new Director is in the process of gathering new DPI form M-5 for all students.

2014-003

Department: United States Department of Health and Human Services

Program Name: Medical Assistance Program

Federal #: 93.778

SBS B. School-Based Services Medical Salaries and Benefits Costs Quarterly Financial Submissions

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 for contracted services charged to Medicaid are based on budgeted numbers and not actual time worked. This finding comes from testing the 2013 year-end cost report, as the 2014 cost report was not yet available. The District has been made aware that they should not use budgeted numbers on the 2014 cost report for contracted services. This is a repeat finding of finding 2013-003, where the District charged budgeted salaries and benefits. The District did not correct their quarterly filings to charge actual wages and benefits after the June 30, 2013 audit finding.

Cause

When filling out the 2013 cost report, the District was unaware that charging budget estimates was not allowable for federal awards. They have been made aware this is unallowable for the 2014 cost report.

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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

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

2014-003 (Continued)

District's Response

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, Medicaid billing has been contracted out to a third party provider. This third party provider has the controls in place to ensure actual costs are being claimed rather than budget estimates.

2014-004

Department: United States Department of Health and Human Services

Program Name: Medical Assistance Program

Federal #: 93.778

SBS B. School-Based Services Medical Salaries and Benefits Costs Quarterly Financial Submissions

Condition

The annual Medicaid Cost Report was not properly completed. 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 one employee who had their wages and benefits charged in full to Medicaid; however a portion of these same wages and benefits were also charged to the federal grant CFDA # 84.027, Special Education-Grants to States (IDEA). In addition, there were also contracted costs that were 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. This is a repeat finding, and the District did not correct their quarterly filings to include the federal revenues received by the District for these individuals. In the prior year, we reported \$82,820 in questioned costs that were not corrected.

Questioned Costs

The total costs charged to both Medicaid and IDEA in the current year were \$68,989.

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

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, Medicaid billing has been contracted out to a third party provider. Along with a transition to a third party provider for Medicaid billing, the District has reviewed the individuals charged to Medicaid and have removed them from federal IDEA funding.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

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

2014-005

Department: United States Department of Health and Human Services
Program Name: Special Education – Grants to States (IDEA)
Federal #: 84.027

Condition

Program requirements state that District employees charged to Federal Program # 84.027 are required to hold a valid license for their position in order to be eligible for reimbursement under the program.

Criteria

There were two District employees whom had a percentage of their wages and benefits charged to the IDEA program who were not properly licensed during the 2013/2014 school year.

Questioned Costs

The total amount of wages and benefits reimbursed by the grantor for non-licensed employees charged to the IDEA program were \$45,893.

Cause

Claiming non-licensed employees to the federal program was an oversight by the District.

Effect

The District may be forced to pay back the cost of the unallowable items back to the grantor.

Recommendation

The District should ensure all employees claimed on the IDEA program are properly licensed in their field, prior to charging their wages and benefits to the federal program.

District's Response

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, internal controls have been created within the department to monitor appropriate licensing. Also, all new hires for a position that requires a license are required to have a license upon hire.

2014-006

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

Condition

Wisconsin Administrative Code Chapter PI 19.03 (4) states that all teachers and pupil services personnel in the school age parent program shall hold a Wisconsin license within their respective field of practice.

Criteria

The District claimed salary and benefits for three program aides who were not properly licensed per DPI's special education licensing requirements.

Questioned Costs

\$32,079 in salaries and benefits

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

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

2014-006 (Continued)

Cause

This occurred because the District did not follow DPI's instructions regarding special education licensing requirements and allowable costs.

Effect

The District charged disallowed costs to project 011, which may result in the District being forced to pay back the cost of the unallowable items back to the grantor.

Auditor's Recommendation

The District should review DPI's report: *Valid Reporting and License Codes for Special Education Staff*. The District should also review personnel files regularly to ensure that employees are properly licensed.

District's Response

As of August, 2014 the District has a new Director of Special Education & Pupil Services. As a result of this new leadership in the department, internal controls have been created within the department to monitor appropriate licensing. Also, all new hires for a position that requires a license are required to have a license upon hire.

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 November 14, 2014