

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2015

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Management Discussion & Analysis	3 - 13
Basic Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position	20
Notes to Financial Statements	21 - 38
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Special Education Fund	41
Schedules of Funding Progress and Employer Contributions	42
Schedules of Proportionate Share of the Net Pension Asset and Contributions	43
Notes to the Required Supplementary Information	44

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2015

Table of Contents
(Continued)

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	47
Agency Funds – Schedule of Changes in Assets and Liabilities	48
Schedule of Expenditures of State Awards	49
Schedule of Expenditures of Federal Awards	50
Notes to Schedules of Expenditures of State and Federal Awards	51
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	52 - 53
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and State Single Audit Guidelines	54 - 56
Summary Schedule of Prior Audit Findings	57 - 62
Schedule of Findings and Questioned Costs	63 - 70

Thomas G. Wieland
David A. Grotkin
Joel A. Joyce
Brian J. Mechenich



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

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, 2015, 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fort Atkinson as of June 30, 2015, 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's discussion and analysis and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Change in Accounting Principle

During the year ended June 30, 2015, the District adopted new accounting guidance, GASB 68, *Accounting and Financial Reporting for Pensions* as described in Note 12. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2015 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 11, 2015
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015

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 2015 by \$32,950,953 (*net position*). For the year, net position increased by \$7,728,974 (\$5,403,958 of this increase is due to prior period adjustments detailed out on page 37).

Total governmental fund revenues were \$38,024,443; including \$14,959,853 of property taxes, \$16,916,820 of state and federal general aid, and \$2,057,955 of charges for services. Total expenditures were \$36,278,203 including \$21,252,854 for direct instruction.

The following events took place during fiscal 2015:

- 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. Fiscal year 2015 was the first year of this three-year operational referendum.
- The switch in our health insurance plan design from a traditional plan to a high-deductible health plan (HDHP), one that is paired with a health reimbursement account (HRA), was smoothly implemented and well-accepted by employees, who now are taking a more active role in their health care decisions. Roughly \$821,000 in premium savings were achieved since October 2014, and nearly all employees had no additional out-of-pocket costs due to District contributions to the HRA to cover any increase in incurred deductibles.
- On March 31, 2015, \$7.5 million in debt from 2007 was refinanced at a very low rate of between 2%-3% and the term extended from 2021 to 2027, with a present value savings of \$116,726. This also allowed for future tax levies to be more stable and up to an additional \$1.2 million of the levies to potentially be used for operational needs instead of debt service. Should revenue caps be raised, state aid increased in the future, or revenue be found in other ways, the District can still defease or prepay on this debt, and it can also refinance these bonds as soon as 2023.
- In response to a changing environment for public education in Wisconsin as well as recent turnover in the administrative offices, the District contracted with Springsted, Inc. to study the human resources and central office operations. As a result of this study, the Board approved the establishment of a Human Resources Department for the first time ever in the District. As is outlined in some of the audit findings within this report related to the human resources function, a Human Resources Director was brought on Board in early May, 2015 to establish the department along with processes and procedures typically managed by a fully functioning human resources department.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015

FINANCIAL HIGHLIGHTS (CONTINUED)

- A thorough study by administration and educators of recent Middle School student achievement in core Mathematics and Literacy academic areas was followed by careful consideration of various scheduling options and selection of a double block of Mathematics and Language Arts classes, effective in 2015-16. This will provide more time to deliver content and supportive interventions in these key areas, in ways these students have experienced in our elementary schools, without loss of elective classes, educator collaboration, or the middle school concept. Staffing additions included 2.0 Full-Time Equivalent (FTE) Math educators and a 0.3 FTE in Art. Reductions in 2.9 FTE in vacant and hard-to-fill positions of Business Education, Family and Consumer Education, Technical Education, and French staff will result in savings of roughly \$55,000.

Likewise, Special Education staffing was reallocated to be more flexible in meeting the current needs of our students, rather than always being attached to a building. An approach with more inclusion of Special Education students in regular classrooms will also be used. Three FTE Special Education positions will be added and funded by attrition of 1.5 FTE Special Education aides, providing services locally for about three students that had been serviced outside of the District, and additional high-cost student reimbursement claims revenue.

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, 2015
(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	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus
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

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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(Continued)

DISTRICT WIDE STATEMENTS (CONTINUED)

In 2015, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement requires the District to recognize its proportionate share of the net pension asset or liability, deferred outflows and deferred inflows of resources, and related expenses from its participation in the Wisconsin Retirement System. The result of this statement includes recognizing a net pension asset for the defined benefit plan and related deferred outflows of resources. The effect of implementing this statement resulted in a restatement of beginning net position as detailed in Note 12 to the financial statements.

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, 2015
(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, 2015. The District's combined net position increased by \$7,728,974 (30.64%) to \$32,950,953. Specific causes of the increases are discussed later in this document. This large increase is due in part to the first year implementation of the GASB 68 standards relating to the reporting for pensions.

Table 1		
Condensed Statement of Net Position		
Total School District		
	For the Year Ended	
	June 30, 2014	June 30, 2015
Current and other assets	\$ 12,661,542	\$ 14,400,336
Noncurrent assets	30,227,959	32,004,916
TOTAL ASSETS	42,889,501	46,405,252
Unamortized loss on refunding	141,251	312,095
Deferred outflows related to pensions	--	2,429,079
TOTAL DEFERRED OUTFLOWS	141,251	2,741,174
Long-term debt	12,629,935	11,046,856
Other liabilities	5,178,838	5,141,921
TOTAL LIABILITIES	17,808,773	16,188,777
Deferred inflows related to pensions	--	6,696
TOTAL DEFERRED INFLOWS	--	6,696
Net position:		
Net investment in capital assets	17,992,959	18,271,781
Restricted	827,378	6,161,875
Unrestricted	6,401,642	8,517,297
TOTAL NET POSITION	\$ 25,221,979	\$ 32,950,953

Note: In Table 1, the year-ended 6/30/2014 has not been restated for the 2015 implementation of GASB 68.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(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, 2014</u>	<u>June 30, 2015</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,067,639	\$ 2,057,955
Operating grants & contributions	3,866,042	4,006,145
Capital grants & contributions	--	--
General Revenues		
Property taxes	15,189,717	14,959,853
State formula aid	16,271,660	16,833,849
Other	<u>232,706</u>	<u>166,641</u>
TOTAL REVENUES	37,627,764	38,024,443
Expenses		
Instruction	22,559,958	22,084,221
Pupil & instructional services	3,061,073	2,915,260
Administration & finance	2,412,956	2,455,036
Maintenance & operations	4,132,890	3,837,412
Transportation	1,234,200	1,087,914
Food Service	1,397,363	1,330,970
Interest on debt	669,650	700,746
Other	<u>1,387,442</u>	<u>1,287,868</u>
TOTAL EXPENSES	36,855,532	35,699,427
INCREASE (DECREASE)		
IN NET POSITION	<u>\$ 772,232</u>	<u>\$ 2,325,016</u>

The District relies primarily on property taxes (39.34% of total governmental revenues), and state formula aid (44.27%) to fund governmental activities.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(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, 2014		Year Ended June 30, 2015	
	<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	\$ 22,559,958	\$ 18,144,301	\$ 22,084,221	\$ 17,516,726
Pupil & instructional services	3,061,073	2,968,534	2,915,260	2,802,775
Administration & finance	2,412,956	2,412,956	2,455,036	2,455,036
Maintenance & operations	4,132,890	4,120,624	3,837,412	3,825,770
Transportation	1,234,200	1,211,676	1,087,914	1,066,766
Food Service	1,397,363	30,483	1,330,970	4,662
Interest on debt	669,650	669,650	700,746	700,746
Other	1,387,442	1,363,627	1,287,868	1,262,846
TOTAL EXPENSES	<u>\$ 36,855,532</u>	<u>\$ 30,921,851</u>	<u>\$ 35,699,427</u>	<u>\$ 29,635,327</u>

The cost of all governmental activities this year was \$35,699,427. Individuals who directly participated in or benefited from a program offering, paid for or had paid on their behalf \$2,057,955 of the costs. Federal and state governments and donors subsidized certain programs with grants and contributions of \$4,006,145. The net cost of governmental activities (\$29,635,327) was financed by general revenues of the District (\$14,959,853 property taxes, \$16,833,849 state formula aid, and \$166,641 other).

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$11,021,280, up from last year's ending fund balance of \$9,155,010.

- The general fund had an increase in fund balance of \$1,862,237. This increase was largely budgeted for FY 2015 due to it being in the first year of a three-year operations referendum where the amount of referendum funding is static each of the three years.
- The debt service fund had a decrease of \$33,386. 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.
- The non-major funds had an increase of \$37,419.

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 \$32,043,192 and expenditures of \$30,836,437.

Actual results for the year show expenditures exceeding revenues by \$1,862,237, which is \$655,482 better than the *original* budget. Much of this difference can be attributed to the carryover of expense budgets into fiscal year 2016 as well as prior year Medicaid revenue finally received by the District.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had invested \$55,947,973 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$26,891,192. Asset acquisitions for governmental activities totaled \$397,481. The District recognized depreciation expense of \$1,568,659. (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 %
	2014	2015	Change 2014-15
Land	\$ 1,065,998	\$ 1,065,998	0.0%
Buildings	50,142,474	50,326,801	0.4%
Furniture and equipment	4,350,323	4,555,174	4.7%
Accumulated depreciation	(25,330,836)	(26,891,192)	6.2%
TOTAL	\$ 30,227,959	\$ 29,056,781	-3.9%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At year-end the District had \$12,409,487 in bonds payable and other long-term debt outstanding – a decrease of \$1,765,448 (12.45%) from fiscal year 2014. 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 %
	2014	2015	Change 2014-15
General obligation bonds	\$ 12,235,000	\$ 10,785,000	-11.9%
Retirement stipends	304,624	152,957	-49.8%
Compensated absences	289,004	274,073	-5.2%
Other post employment benefits	1,346,307	1,197,457	-11.1%
TOTAL	\$ 14,174,935	\$ 12,409,487	-12.5%

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

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Management Discussion & Analysis

June 30, 2015
(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 2015-17 State of Wisconsin biennial budget paints a stark picture for the funding of public education in Wisconsin. Over the two year biennium there is no allowable increase in state imposed revenue limits which accounts for approximately 85% of the District's operating revenue. As a result, the District is currently planning for the future as the operational referendum approved in April 2014 for \$1.75 million per year will expire on June 30, 2017. For the foreseeable future, as a result of no increase in allowable revenue, the District's only opportunity to increase revenue will be through continually seeking operational referendums until increases are granted to local districts at the State level.
- The District is currently in the research and planning stages of developing new compensation systems for all employee classifications. The administration made reductions to supply budgets to support the transition to new compensation systems during the FY16 fiscal year. The intention as of this writing is to make one time "market adjustments" during the FY16 fiscal year utilizing the aforementioned savings and then carry forward a market based system with annual adjustments each year thereafter.

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, SFO, 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, 2015

	Governmental Activities
Assets:	
Current assets	
Cash	\$ 8,297,112
Taxes receivable	4,309,627
Accounts receivable	807
Due from other governments	1,696,960
Inventory	7,483
Prepaid expense	88,347
Total current assets	14,400,336
Noncurrent assets	
Net pension asset	2,948,135
Nondepreciable land	1,065,998
Depreciable capital assets, net of accumulated depreciation	27,990,783
Total noncurrent assets	32,004,916
Total assets	46,405,252
Deferred Outflows of Resources:	
Unamortized loss on refunding	312,095
Deferred outflows related to pensions	2,429,079
Total deferred outflows of resources	2,741,174
Liabilities:	
Current liabilities	
Accounts payable	178,307
Withholdings and related fringes payable	1,297,697
Accrued interest	157,865
Accrued payroll	1,881,154
Unearned revenues	21,898
Long-term debt obligations due within one year	1,605,000
Total current liabilities	5,141,921
Noncurrent liabilities	
Long-term debt obligations due in more than one year	9,180,000
Unamortized premium on issuance	242,369
Accrued vacation	274,073
Retirement stipends	152,957
Other post-employment benefits	1,197,457
Total noncurrent liabilities	11,046,856
Total liabilities	16,188,777
Deferred Inflows of Resources:	
Deferred inflows related to pensions	6,696
Net Position:	
Net investment in capital assets	18,271,781
Restricted for:	
Debt service	694,425
Food service	83,833
WRS pension	5,370,518
Other activities	13,099
Unrestricted	8,517,297
Total net position	\$ 32,950,953

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, 2015

		Program Revenues		Net
		Charges for	Operating	(Expenses)
Expenses		Services	Grants and	Revenues and
			Contributions	Changes in
				Net Position
Governmental activities:				
Instruction:				
Regular instruction	\$ 14,702,366	\$ 1,331,488	\$ 1,060,117	\$ (12,310,761)
Special education instruction	4,734,109	28,824	2,108,229	(2,597,056)
Vocational instruction	1,083,982	---	---	(1,083,982)
Other instruction	1,563,764	38,837	---	(1,524,927)
Total instruction	22,084,221	1,399,149	3,168,346	(17,516,726)
Support services:				
Pupil services	1,334,233	---	---	(1,334,233)
Instructional staff services	1,581,027	---	112,485	(1,468,542)
Administration services	2,455,036	---	---	(2,455,036)
Operation and maintenance of plant	3,837,412	11,642	---	(3,825,770)
Pupil transportation	1,087,914	---	21,148	(1,066,766)
Central services	702,323	---	---	(702,323)
Other support services	545,291	---	---	(545,291)
Community services	40,254	25,022	---	(15,232)
Food service	1,330,970	622,142	704,166	(4,662)
Interest on long-term debt	700,746	---	---	(700,746)
Total support services	13,615,206	658,806	837,799	(12,118,601)
Total school district	\$ 35,699,427	\$ 2,057,955	\$ 4,006,145	(29,635,327)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				12,888,340
Property taxes, levied for debt service				2,011,683
Property taxes, levied for specific purposes				58,384
Other taxes				1,446
Federal and state aid not restricted to specific purposes:				
General				16,833,849
Other				82,971
Interest and investment earnings				14,240
Miscellaneous				69,430
Changes in net position				2,325,016
Net position - beginning of year				25,221,979
Prior period adjustment				77,280
Adjustment due to change in accounting principle				5,326,678
Net position - beginning of year as adjusted				30,625,937
Net position - end of year				\$ 32,950,953

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, 2015

	<u>General</u>	<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 7,298,656	\$ 694,425	\$ 304,031	\$ 8,297,112
Taxes receivable	4,309,627	---	---	4,309,627
Accounts receivable	390	---	417	807
Due from other funds	35,621	---	---	35,621
Due from other governments	1,642,046	---	54,914	1,696,960
Inventory	---	---	7,483	7,483
Prepaid expense	87,570	---	777	88,347
Total assets	<u>\$ 13,373,910</u>	<u>\$ 694,425</u>	<u>\$ 367,622</u>	<u>\$ 14,435,957</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 147,672	\$ ---	\$ 30,635	\$ 178,307
Withholdings and related fringes payable	1,290,760	---	6,937	1,297,697
Accrued payroll	1,869,770	---	11,384	1,881,154
Due to other funds	---	---	35,621	35,621
Unearned revenues	---	---	21,898	21,898
Total liabilities	<u>3,308,202</u>	<u>---</u>	<u>106,475</u>	<u>3,414,677</u>
 Fund Balances				
Nonspendable	87,570	---	8,260	95,830
Restricted	---	694,425	88,672	783,097
Assigned	283,707	---	164,215	447,922
Unassigned	9,694,431	---	---	9,694,431
Total fund balances	<u>10,065,708</u>	<u>694,425</u>	<u>261,147</u>	<u>11,021,280</u>
 Total liabilities and fund balances	 <u>\$ 13,373,910</u>	 <u>\$ 694,425</u>	 <u>\$ 367,622</u>	 <u>\$ 14,435,957</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, 2015

Total fund balances - governmental funds \$ 11,021,280

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	\$ 55,947,973	
Accumulated depreciation	<u>(26,891,192)</u>	29,056,781

The District's proportionate share of the WRS pension plan exceeds its' obligation. This is reported as an asset on the statement of net position, but is not reported in the governmental funds. 2,948,135

Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 2,422,383

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 and related items at year-end consist of:

Bonds payable	10,785,000	
Unamortized loss on refunding	(312,095)	
Unamortized premium on issuance	242,369	
Accrued vacation	274,073	
Retirement stipends	<u>152,957</u>	(11,142,304)

The post-employment benefit liability is not currently payable and thus not reported in the governmental funds (1,197,457)

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. (157,865)

Total net position - governmental activities \$ 32,950,953

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, 2015

	<u>General</u>	<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 13,110,532	\$ 2,013,825	\$ 1,081,498	\$ 16,205,855
Interdistrict payments within Wisconsin	1,211,934	---	16,369	1,228,303
Intermediate sources	8,723	---	---	8,723
State	18,326,699	---	26,259	18,352,958
Federal	1,442,719	---	716,453	2,159,172
Other	69,434	---	---	69,434
Total revenues	34,170,041	2,013,825	1,840,579	38,024,445
 Expenditures:				
Instruction:				
Current	20,052,316	---	374,596	20,426,912
Interdistrict	752,618	---	---	752,618
Capital outlay	56,428	---	16,896	73,324
Support Services:				
Current	11,120,833	---	1,411,668	12,532,501
Capital outlay	324,157	---	---	324,157
Debt service	1,452	2,167,239	---	2,168,691
Total expenditures	32,307,804	2,167,239	1,803,160	36,278,203
Excess of revenues over (under) expenditures	1,862,237	(153,414)	37,419	1,746,242
 Other Financing Sources (uses):				
Face value of bonds issued	---	7,510,000	---	7,510,000
Other financing sources - premiums	---	247,593	---	247,593
Other financing uses - payment to escrow	---	(7,637,565)	---	(7,637,565)
Total other financing sources (uses)	---	120,028	---	120,028
Net change in fund balances	1,862,237	(33,386)	37,419	1,866,270
Fund Balances - Beginning of year	8,203,471	727,811	223,728	9,155,010
Fund Balances - End of year	\$ 10,065,708	\$ 694,425	\$ 261,147	\$ 11,021,280

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, 2015

Total net change in fund balances - governmental funds \$ 1,866,270

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	\$ (1,568,659)	
Capital outlays	<u>397,481</u>	(1,171,178)

Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.		(7,510,000)
--	--	-------------

Losses on refunding are not recorded in the governmental funds, but are capitalized on the statement of net position.		222,565
---	--	---------

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net position.		
Bonds payable		8,960,000

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	(51,720)	
Amortization of premium on issuance	<u>5,224</u>	(46,496)

Bond premiums are recorded as a revenue in the governmental funds, but these are amortized over the life of the bonds in the statement of activities.		(247,593)
---	--	-----------

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.		14,931
---	--	--------

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.		74,387
---	--	--------

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

District pension contributions	1,149,599	
Cost of benefits earned net of employee contributions	<u>(1,105,759)</u>	43,840

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.		148,850
---	--	---------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>(30,560)</u>
---	--	-----------------

Change in net position of governmental activities \$ 2,325,016

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, 2015

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
Assets			
Cash	\$ 28,834	\$ 19,401	\$ 100,361
Investments	1,095,292	349,423	5,000
Total assets	<u>1,124,126</u>	<u>368,824</u>	<u>105,361</u>
Liabilities			
Due to student groups	---	---	105,361
Net position			
Restricted	1,124,126	368,824	---
Total net position	<u>\$ 1,124,126</u>	<u>\$ 368,824</u>	<u>\$ 105,361</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
Additions		
Net investment income	\$ 14,445	\$ 1,972
Contributions to employee benefit trust	---	1,117,057
Total additions	<u>14,445</u>	<u>1,119,029</u>
Deductions		
Trust fund disbursements	<u>23,832</u>	<u>1,067,991</u>
Change in net position	(9,387)	51,038
Net position - June 30, 2014	<u>1,133,513</u>	<u>317,786</u>
Net position - June 30, 2015	<u>\$ 1,124,126</u>	<u>\$ 368,824</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, 2015

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 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, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. This fund includes activities associated with providing educational programs for students with disabilities.

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

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

D. Measurement Focus and Basis of Accounting

The district-wide, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net 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. Cash 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, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Cash 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, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Impairment of Long-Lived Assets

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

H. Adoption of New Accounting Guidance

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. See footnotes 6 and 12 for additional information.

I. Interfund Transactions

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2015 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers: None			
Receivables/Payables: Operations	General	Package Cooperative	\$35,621

J. 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.

K. 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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Fund Balance – Governmental Funds (Continued)

- 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.

L. 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 in the governmental funds.

M. 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.

N. 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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

O. 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. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. Changes in the net pension asset not included in pension expense are required to be reported as deferred outflows or inflows of resources. See footnote 6 for additional information.

P. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported to WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 11, 2015). Except for the information in Note 13, there were no subsequent events that required recognition or disclosure.

R. Reclassifications

Certain reclassifications have been made to the footnote presentation. There were no changes to fund balance as a result of these reclassifications.

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	\$ 8,445,708	Custodial
Certificate of deposit	82,200	Custodial
Fixed income securities	642,977	Interest rate and credit
Mutual funds	126,091	Interest rate and credit
Equity securities	598,447	Interest rate and credit
Total cash and investments	<u>\$ 9,895,423</u>	

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

2. Cash and Investments (Continued)

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

Statement of net position:	
Cash	\$ 8,297,112
Statement of fiduciary net position:	
Cash	148,596
Investments	<u>1,449,715</u>
Total cash and investments	\$ <u>9,895,423</u>

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

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

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

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

Deposits in each local bank and area bank are insured by the FDIC in the amount of \$250,000. 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 \$8,527,908 at June 30, 2015 and the bank's carrying value was \$9,385,505, of which \$839,390 was fully insured and \$8,545,112 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.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

2. Cash and Investments (Continued)

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	\$ 82,200	\$ 82,200	\$ ---	\$ ---	\$ ---
Fund income securities	642,977	642,977	---	---	---
Mutual funds	126,091	126,091	---	---	---
Equity securities	598,447	598,447	---	---	---
	<u>\$ 1,449,715</u>	<u>\$ 1,449,715</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Sites	\$ 1,065,998	\$ ---	\$ ---	\$ 1,065,998
Capital assets being depreciated:				
Buildings and improvements	50,142,474	184,327	---	50,326,801
Equipment	4,350,323	213,154	(8,303)	4,555,174
Total being depreciated	<u>54,492,797</u>	<u>397,481</u>	<u>(8,303)</u>	<u>54,881,975</u>
Less accumulated depreciation	(25,330,836)	(1,568,659)	8,303	(26,891,192)
Total being depreciated, net	<u>29,161,961</u>	<u>(1,171,178)</u>	<u>---</u>	<u>27,990,783</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 30,227,959</u>	<u>\$ (1,171,178)</u>	<u>\$ ---</u>	<u>\$ 29,056,781</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 1,510,675
Administrative Services	2,200
Operation and maintenance of plant	46,700
Food service	9,084
Total depreciation for governmental activities	<u>\$ 1,568,659</u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

4. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
G.O. Bonds	\$ 12,235,000	\$ ---	\$ 7,510,000	\$ (8,960,000)	\$ 10,785,000	\$ 1,605,000
Retirement stipends	304,624	(77,280)	30,701	(105,088)	152,957	---
Compensated absences	289,004	---	---	(14,931)	274,073	---
Other post-employment benefits	1,346,307	---	1,029,625	(1,178,475)	1,197,457	---
Total	<u>14,174,935</u>	<u>(77,280)</u>	<u>8,570,326</u>	<u>(10,258,494)</u>	<u>12,409,487</u>	<u>1,605,000</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2015 on long-term liabilities was \$503,164 and \$533,723, 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, 2015 is comprised of the following individual issues:

<u>Description</u>	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates (%)</u>	<u>Dates of</u> <u>Maturity</u>	<u>Balance</u> <u>June 30,</u> <u>2015</u>
G.O. Refunding Bond	1/15/04	2 to 3.75%	4/1/2016	\$ 245,000
G.O. Refunding Bond	2/1/07	4 to 4.15%	4/1/2021	1,510,000
G.O. Promissory Note	4/4/07	4 to 4.25%	4/1/2017	305,000
G.O. Refunding Bond	1/4/08	4.0%	4/1/2016	1,215,000
G.O. Refunding Bond	3/31/15	2 to 3.00%	10/1/2027	7,510,000
Total				<u>\$ 10,785,000</u>

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,372,601,724. The legal debt limit and margin of indebtedness as of June 30, 2015, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,372,601,724)	\$ 137,260,172
Deduct long-term debt applicable to debt margin	<u>10,785,000</u>
Margin of indebtedness	<u><u>\$ 126,475,172</u></u>

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

4. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2015 follow:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,605,000	\$ 581,934	\$ 2,186,934
2017	1,670,000	546,538	2,216,538
2018	680,000	174,225	854,225
2019	695,000	160,625	855,625
2020	710,000	146,725	856,725
2021-2025	3,775,000	503,800	4,278,800
2026-2027	1,650,000	70,475	1,720,475
	<u>\$ 10,785,000</u>	<u>\$ 2,184,322</u>	<u>\$ 12,969,321</u>

During the year ended June 30, 2015, the District paid off a G.O. Bond through an advanced refunding. The principal payments totaled \$7,415,000. As a result of the current refunding, the Districted increased its total future debt service requirements by \$688,176, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the cost of defeasance) of \$120,027.

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, 2015 is \$8,335,000.

5. Fund Balances

As of June 30, 2015, fund balances are composed of the following:

General fund:	
Nonspendable prepaid expenses	\$ 87,570
Assigned for specific purposes	283,707
Unassigned	9,694,431
Restricted for special revenue trust	13,099
Restricted for other debt service retirement	694,425
Food service fund:	
Nonspendable inventory	7,483
Nonspendable prepaid expenses	777
Restricted for food service	75,573
Assigned for community service	66,633
Assigned for other special projects	97,582
Total	\$ 11,021,280

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

Vesting

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 on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS member on or after July 1, 2011 must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable services is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Post-Retirement Adjustments (Continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. 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 employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,149,599 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense and Deferred Inflows and Outflows of Resources

At June 30, 2015, the District reported an asset of \$2,948,135 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.1200%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,105,759.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Inflows and Outflows of Resources (Continued)

At June 30, 2015, the District reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 427,388	\$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	1,427,629	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	6,696
Employer contributions subsequent to the measurement date	574,062	---
Total	\$ 2,429,079	\$ 6,696

The amount of \$574,062 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 364,875	\$ (1,243)
2017	364,875	(1,243)
2018	364,875	(1,243)
2019	364,875	(1,243)
2020	364,875	(1,243)
Thereafter	30,642	(481)

Actuarial assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	(20)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
District's proportionate share of the net pension asset	\$ 8,317,196	\$ (2,948,135)	\$ (11,845,038)

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the pension plan at June 30, 2015 were \$197,917. This represents contributions earned as of June 30, 2015, but for which payment was not remitted to the pension plan until subsequent to year-end.

7. 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, 2014, the date of the latest actuarial valuation:

Retirees	60
Active	<u>432</u>
Number of participating employees	<u>492</u>

The District's annual other postemployment benefit (OPEB) cost 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)	\$ 962,310	\$ 21,607	\$ 983,917
Interest on net OPEB/stipend obligation	67,315	9,094	76,409
Adjustment to ARC	<u>(61,419)</u>	<u>(17,338)</u>	<u>(78,757)</u>
Annual OPEB / stipend cost	968,206	13,363	981,569
Contributions made	<u>(1,117,056)</u>	<u>(87,750)</u>	<u>(1,204,806)</u>
Change in net OPEB / stipend obligation	(148,850)	(74,387)	(223,237)
Net OPEB/stipend obligation – beginning of year	1,346,307	304,624	1,650,931
Prior period adjustment	---	(77,280)	(77,280)
Net OPEB/stipend obligation – beginning of year as adjusted	<u>1,346,307</u>	<u>237,344</u>	<u>1,573,651</u>
Net OPEB/stipend obligation – end of year	<u>\$ 1,197,457</u>	<u>\$ 152,957</u>	<u>\$ 1,350,414</u>

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, 2015 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>
2015	\$ 968,206	115%	\$ 1,197,457
2014	1,113,794	104%	1,346,307
2013	1,113,411	95%	1,399,313

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

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

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, 2015 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>
2015	\$ 13,363	656%	\$ 152,957
2014	24,674	294%	237,344
2013	24,420	333%	275,170

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.

Additional information as of the latest actuarial valuation follows:

	OPEB:	Stipend:
Actuarial valuation date	07/01/14	07/01/14
Actuarial cost method	Entry Age Normal – Level % of Salary	Entry Age Normal – Level % of Salary
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*	5.00%	4.00%
Projected payroll increases	3.00%	3.00%
Medical care trend*	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.00%, and level thereafter	

*implicit in these rates is an assumed rate of inflation of 3.00%

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

8. 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. The District was granted approval by voters to exceed this limit by \$1,750,000 per year for three years. This authority will be in place until 2016-2017 school year. 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

9. 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; health care of its employees; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from coverage in the prior year.

10. 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>		
2016	\$	23,000

11. 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, 2015 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.

12. Prior Period Adjustment

An adjustment has been made to the June 30, 2014 net position in the government-wide statement of activities. A prior period adjustment of \$77,280 was made to increase the balance of the stipend liability.

As the result of implementing GASB Statement No. 68, the district has restated the beginning net position in the government-wide Statement of Net Position, effectively increasing net position as of July 1, 2014 by \$5,326,678. The increase results from recording the July 1, 2014 balance of the District's net pension asset and deferred outflows related to pensions.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

13. Subsequent Event

Subsequent to June 30, 2015, there was fire damage at a school in the District. The insurance claims for the damage are estimated to total \$300,000.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Local	\$ 13,110,231	\$ 13,110,231	\$ 13,110,532	\$ 301
Interdistrict payments within Wisconsin	1,183,684	1,193,584	1,183,110	(10,474)
State	17,031,420	17,072,585	17,095,065	22,480
Federal	632,157	713,948	720,070	6,122
Other	85,700	85,700	69,434	(16,266)
Total revenues	<u>32,043,192</u>	<u>32,176,048</u>	<u>32,178,211</u>	<u>2,163</u>
Expenditures:				
Instruction:				
Current	16,019,476	17,321,587	15,754,593	1,566,994
Interdistrict	709,662	709,662	688,894	20,768
Capital outlay	106,882	219,720	56,428	163,292
Support Services:				
Current	10,150,825	11,332,676	10,047,856	1,284,820
Capital outlay	278,226	564,359	324,157	240,202
Debt service	1,452	1,452	1,452	---
Total expenditures	<u>27,266,523</u>	<u>30,149,456</u>	<u>26,873,380</u>	<u>3,276,076</u>
Excess of revenues over expenditures	<u>4,776,669</u>	<u>2,026,592</u>	<u>5,304,831</u>	<u>3,278,239</u>
Other Financing Sources (uses):				
Operating transfers in (out)	<u>(3,569,914)</u>	<u>(3,655,345)</u>	<u>(3,442,594)</u>	<u>212,751</u>
Net change in fund balances	<u>1,206,755</u>	<u>(1,628,753)</u>	<u>1,862,237</u>	<u>3,490,990</u>
Fund Balances - Beginning of year	<u>8,203,471</u>	<u>8,203,471</u>	<u>8,203,471</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 9,410,226</u>	<u>\$ 6,574,718</u>	<u>\$ 10,065,708</u>	<u>\$ 3,490,990</u>

See Independent Auditors' Report and
accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
Revenues:				
Interdistrict payments within Wisconsin	\$ 6,000	\$ 6,000	\$ 28,824	\$ 22,824
Intermediate sources	15,000	15,000	8,723	(6,277)
State	1,243,087	1,243,087	1,231,634	(11,453)
Federal	697,559	641,015	722,649	81,634
Total revenues	<u>1,961,646</u>	<u>1,905,102</u>	<u>1,991,830</u>	<u>86,728</u>
Expenditures:				
Instruction:				
Current	4,409,302	4,371,605	4,297,723	73,882
Interdistrict	62,000	62,000	63,724	(1,724)
Capital outlay	11,500	14,097	---	14,097
Support Services:				
Current	1,047,758	1,111,745	1,072,977	38,768
Capital outlay	1,000	1,000	---	1,000
Total expenditures	<u>5,531,560</u>	<u>5,560,447</u>	<u>5,434,424</u>	<u>126,023</u>
Deficiency of revenues under expenditures	(3,569,914)	(3,655,345)	(3,442,594)	212,751
Other Financing Sources (uses):				
Operating transfers in (out)	<u>3,569,914</u>	<u>3,655,345</u>	<u>3,442,594</u>	<u>(212,751)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>OPEB</u>						
July 1, 2010	\$ 109,187	\$ 10,706,813	\$ 10,597,626	1.02%	\$ 16,472,511	64.34%
July 1, 2012	\$ 156,187	\$ 12,054,639	\$ 11,897,651	1.30%	\$ 16,193,451	73.47%
July 1, 2014	\$ 262,224	\$ 10,462,177	\$ 10,199,953	2.51%	\$ 16,422,849	62.11%
<u>Stipend</u>						
July 1, 2012	\$ ---	\$ 368,020	\$ 368,020	0.00%	\$ 16,193,451	2.27%
July 1, 2014	\$ ---	\$ 298,410	\$ 298,410	0.00%	\$ 16,422,849	1.82%

The District is required to present the above information for the three most recent actuarial studies. The above referenced studies for the stipend were performed as of July 1, 2012 and July 1, 2014 and are the only studies performed. Once there has 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 report issued by the actuary, except the covered payroll data which was supplied by the District.

Schedule of Employer Contributions

Year Ended June 30, 2015

<u>Actual Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
<u>OPEB</u>			
July 1, 2010	\$ 1,260,008	\$ 859,126	68.18%
July 1, 2012	1,105,025	1,052,194	95.22%
July 1, 2014	962,310	1,117,056	116.08%
<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
<u>Stipend</u>			
2013	\$ 29,313	\$ 81,250	277.18%
2014	29,313	72,500	247.33%
2015	21,607	87,750	406.12%

See Independent Auditors' Report and
accompanying notes to required supplementary information.

School District of Fort Atkinson

Fort Atkinson, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset

Year Ended June 30, 2015

Wisconsin Retirement System

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension asset	0.1200%
District's proportionate share of the net pension asset	\$ 2,948,135
District's covered-employee payroll	16,422,849
Net pension asset as a percentage of covered payroll	17.95%
Plan fiduciary net position as a percentage of total pension asset	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

*GASB Pronouncement 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement is not required to be presented in this schedule.

Schedule of Contributions

Year Ended June 30, 2015

Wisconsin Retirement System

Last 10 Fiscal Years*

Contractually required contributions	\$ 1,149,599
Contributions in relation to the contractually required contributions	1,149,599
Contribution deficiency (excess)	---
District's covered-employee payroll	16,422,849
Contributions as a percentage of covered-employee payroll	7.00%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

*GASB Pronouncement 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement is not required to be presented in this schedule.

See Independent Auditors' Report and
accompanying notes to required supplementary information.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Required Supplemental Information
Year Ended June 30, 2015

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)	\$ 32,178,211	\$ 1,991,830
Reclassification of special education	1,991,830	(1,991,830)
Total Revenues (GAAP)	34,170,041	---
Expenditures		
Actual amounts (budgetary basis)	26,873,380	5,434,424
Reclassification of special education	5,434,424	(5,434,424)
Total Expenditures (GAAP)	32,307,804	---
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	5,304,831	(3,442,594)
Reclassification of special education	(3,442,594)	3,442,594
Excess of Revenues Over (Under) Expenditures (GAAP)	1,862,237	---
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(3,442,594)	3,442,594
Reclassification of special education	3,442,594	(3,442,594)
Total Other Financing Sources (Uses) (GAAP)	---	---
Net Change in Fund Balance		
Actual amounts (budgetary basis) (GAAP)	1,862,237	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis) (GAAP)	8,203,471	---
Fund Balance - End of Year		
Actual amounts (budgetary basis) (GAAP)	\$ 10,065,708	\$ ---

Note B - Excess of Actual Expenditures Over Budget in Individual Funds

The following general fund functions had an excess of actual expenditures over budget for the year ended June

General Fund:	
Other support services	\$ 76,088
Purchased instructional services	3,857
Other non-program transactions	14,831
Special Education Fund:	
Purchased instructional services	63,000
Other non-program transactions	53,490

Note C - WRS Information

There were no changes of benefit terms for any participating employer in WRS. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2015

Special Revenue Funds

	<u>Special Revenue Trust</u>	<u>Other Special Projects</u>	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Total</u>
Assets						
Cash	\$ 13,121	\$ 98,892	\$ 125,385	\$ ---	\$ 66,633	\$ 304,031
Accounts receivable	395	22	---	---	---	417
Due from other governments	---	---	---	54,914	---	54,914
Inventory	---	---	7,483	---	---	7,483
Prepaid expense	---	---	777	---	---	777
Total assets	<u>\$ 13,516</u>	<u>\$ 98,914</u>	<u>\$ 133,645</u>	<u>\$ 54,914</u>	<u>\$ 66,633</u>	<u>\$ 367,622</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 417	\$ 1,332	\$ 9,593	\$ 19,293	\$ ---	\$ 30,635
Withholdings and related fringes payable	---	---	6,937	---	---	6,937
Accrued payroll	---	---	11,384	---	---	11,384
Due to other funds	---	---	---	35,621	---	35,621
Unearned revenues	---	---	21,898	---	---	21,898
Total liabilities	417	1,332	49,812	54,914	---	106,475
Fund Balances						
Nonspendable	---	---	8,260	---	---	8,260
Restricted	13,099	---	75,573	---	---	88,672
Assigned	---	97,582	---	---	66,633	164,215
Total fund balances	<u>13,099</u>	<u>97,582</u>	<u>83,833</u>	<u>---</u>	<u>66,633</u>	<u>261,147</u>
Total liabilities and fund balances	<u>\$ 13,516</u>	<u>\$ 98,914</u>	<u>\$ 133,645</u>	<u>\$ 54,914</u>	<u>\$ 66,633</u>	<u>\$ 367,622</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

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

Nonmajor Governmental Funds

Year Ended June 30, 2015

	<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>	
Revenues:						
Local	\$ 27,324	\$ 348,326	\$ 622,442	\$ ---	\$ 83,406	\$ 1,081,498
Interdistrict payments within Wisconsin	---	---	---	16,369	---	16,369
State	---	---	26,259	---	---	26,259
Federal	---	---	677,906	38,547	---	716,453
Total revenues	<u>27,324</u>	<u>348,326</u>	<u>1,326,607</u>	<u>54,916</u>	<u>83,406</u>	<u>1,840,579</u>
Expenditures:						
Instruction:						
Current	14,775	311,613	---	48,208	---	374,596
Capital outlay	---	16,896	---	---	---	16,896
Support Services:						
Current	15,210	22,886	1,326,581	6,708	40,283	1,411,668
Total expenditures	<u>29,985</u>	<u>351,395</u>	<u>1,326,581</u>	<u>54,916</u>	<u>40,283</u>	<u>1,803,160</u>
Excess (deficiency) of revenues over (under) expenditures	(2,661)	(3,069)	26	---	43,123	37,419
Fund Balances - Beginning of year	<u>15,760</u>	<u>100,651</u>	<u>83,807</u>	<u>---</u>	<u>23,510</u>	<u>223,728</u>
Fund Balances - End of year	<u>\$ 13,099</u>	<u>\$ 97,582</u>	<u>\$ 83,833</u>	<u>\$ ---</u>	<u>\$ 66,633</u>	<u>\$ 261,147</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2015

	<u>Balance</u>				<u>Balance</u>
	<u>7/1/14</u>	<u>Additions</u>	<u>Deductions</u>		<u>6/30/15</u>
Assets					
Cash	\$ 99,142	\$ 282,406	\$ (281,187)		\$ 100,361
Investments	5,000	---	---		5,000
Total assets	<u>\$ 104,142</u>	<u>\$ 282,406</u>	<u>\$ (281,187)</u>		<u>\$ 105,361</u>
Liabilities					
Due to student groups					
High School	\$ 77,749	\$ 239,756	\$ (245,860)		\$ 71,645
Middle School	1,142	11,543	(10,515)		2,170
Barrie Elementary School	11,288	12,636	(8,087)		15,837
Luther Elementary School	7,685	8,093	(6,593)		9,185
Purdy Elementary School	1,399	41	---		1,440
Rockwell Elementary School	4,879	10,337	(10,132)		5,084
Total liabilities	<u>\$ 104,142</u>	<u>\$ 282,406</u>	<u>\$ (281,187)</u>		<u>\$ 105,361</u>

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2015

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Unearned) Revenue at 7/1/14	Receipts	State Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/15
Wisconsin Department of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 1,231,634	\$ 1,231,634	\$ ---
State school lunch	255.102	---	14,334	14,334	---
Common school fund library aid	255.103	---	112,485	112,485	---
Pupil transportation	255.107	---	21,148	21,148	---
Wisconsin morning milk program	255.109	---	7,378	7,378	---
Equalization aids	255.201	285,210	16,843,300	16,852,761	294,671
Peer review and mentoring	255.301	23,559	23,559	---	---
Alcohol and drug abuse	255.306	3,967	3,967	1,932	1,932
School breakfast program	255.344	---	4,548	4,548	---
Educator effectiveness grant	255.940	19,360	39,040	19,680	---
Per pupil adjustment aid	255.945	---	425,475	425,475	---
Career and technical education incentive grants	255.950	---	23,000	23,000	---
Passed through CESA #2					
Special education and school-age parents	255.101	---	8,723	8,723	---
Total		<u>\$ 332,096</u>	<u>\$ 18,758,591</u>	<u>\$ 18,723,098</u>	<u>\$ 296,603</u>

** Total DPI aidable expenditures for the year ended June 30, 2015 were \$4,591,500.

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON

Fort Atkinson, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Unearned) Revenue at 7/1/14	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/15
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Food Service Aid - Breakfast	10.553	\$ ---	\$ 82,088	\$ 82,088	\$ ---
Donated Commodities	10.555	---	96,385	96,385	---
Food Service Aid - Lunch	10.555	---	498,433	498,433	---
Total U.S. Department of Agriculture		---	676,906	676,906	---
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	---	9,900	9,900	---
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title I-A Basic	84.010	396,657	440,152	383,251	339,756
Special Education Cluster:					
IDEA Flow Through	84.027	251,349	251,349	520,399	520,399
IDEA CEIS	84.027	---	---	56,363	56,363
IDEA Preschool Entitlement	84.173	4,352	4,352	11,345	11,345
Special Education Cluster Subtotal		255,701	255,701	588,107	588,107
ESEA Title IV-B 21st Century CLC	84.287	51,551	51,551	99,868	99,868
ESEA Title II-A Teacher Principal Training	84.367	23,763	31,470	35,366	27,659
ESEA Title III-A English Language Acquisition	84.365	30,579	30,579	38,547	38,547
ESEA Title III-A Immigrant Discretionary	84.365	32,873	32,873	---	---
ESEA Title III-A Subtotal		63,452	63,452	38,547	38,547
Passed through the School District of Jefferson:					
Carl Perkins	84.048	---	---	16,368	16,368
Total U.S. Department of Education		791,124	842,326	1,161,507	1,110,305
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Health Services					
Medical Assistance Program	93.778	14,029	324,621	336,128	25,536
Total		\$ 805,153	\$ 1,853,753	\$ 2,184,441	\$ 1,135,841

See Independent Auditors' Report.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2015

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, 2015, 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 11, 2015.

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 11, 2015
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 and State 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 State Single Audit Guidelines that could have a direct and material effect on each of the District's designated major federal and state programs for the year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditors' 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 2015-002 for Activities Allowed or Unallowed and Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on 93.778 – Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778 – Medical Assistance Program for the year ended June 30, 2015.

Basis for Qualified Opinion on CFDA 84.027 and 84.173 – Special Education Cluster (IDEA)

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding CFDA 84.027 and 84.173 – IDEA Program as described in finding number 2015-003 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 84.027 and 84.173 – Special Education Cluster

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 84.027 and 84.173 – IDEA Program for the year ended June 30, 2015.

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 auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

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 2015-001, 2015-004 and 2015-005. Our opinion on each major federal and state 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 2015-002 and 2015-003 to be material weaknesses.

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 2015-001 and 2015-004 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 11, 2015
Milwaukee, Wisconsin

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

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

Criteria

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.

Condition

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.

Status

This was not an audit finding in the current year. Internal controls have been established and the use of a third party provider for Medicaid billing has been secured and implemented.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

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)

Criteria

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.

Condition

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.

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.

Status

This finding is from Medicaid claims in the 2012-13 fiscal year. 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. The software associated with the new third party provider does not allow for this to occur, thus an internal control has been established to prevent this from reoccurring.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

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

Criteria

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.

Condition

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.

Status

Actual cost numbers are now being reported and 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, 2015

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

Criteria

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".

Condition

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.

Status

This finding is from Medicaid claims in the 2012-13 fiscal year. This was corrected for 2014-15 claims as federal funds were reported to PCG for the Medicaid annual claim. Internal controls have been established to ensure federal funds are reported to PCG quarterly moving forward as well.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

2014-005

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

Criteria

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.

Condition

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.

Status

This was not an audit finding in the current year as all staff charged to federal grants were properly licensed.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

2014-006

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

Criteria

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.

Condition

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

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.

Status

Two of the three aides gained proper licensure during the current fiscal year. The other aide was listed again in the current year's audit findings (see finding 2015-004). Numerous contacts were made throughout the FY15 fiscal year to DPI with minimal or no responses or assistance provided from DPI as they were transitioning their licensing system. As of November 3, 2015 this issue has been resolved with DPI and all current aides are licensed appropriately.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I. Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' 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 auditors' report issued on compliance for major programs: | |
| Nutrition Cluster | Unmodified |
| Special Education Cluster | Qualified |
| 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
	<u>Special Education Cluster</u>
84.027	Special Education – Grants to States (IDEA)
84.173	Special Education – Preschool Grants
93.778	Medical Assistance Program

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(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
255.103	Common School Fund – Library Aids

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, 2015
(Continued)

Section III. Federal and State Award Findings and Questioned Costs

2015-001

Department: United States Department of Health Services

Program Name: Medical Assistance Program

Federal #: 93.778

SBS A. Individual Education Program (IEP) and Consent to Bill Wisconsin Medicaid (M-5)

Criteria

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.

Condition

During our testing, we noted two students in our sample of 25 students that the District did not have a signed DPI form M-5 on file. This is a repeat finding, as we noted two students to be ineligible for Medicaid services in our audit for the year-ended June 30, 2014.

Cause

Controls are not in place to ensure the District has parental consent prior to charging services to Medicaid.

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 and Corrective Action Plan

This finding is from Medicaid claims in the 2013-14 fiscal year. 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. The software associated with the new third party provider does not allow for this to occur, thus an internal control has been established to prevent this from reoccurring.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

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

2015-002

Department: United States Department of Health Services

Program Name: Medical Assistance Program

Federal #: 93.778

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

Criteria

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".

Condition

During our testing, we noted five employees 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). 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. The total costs charged to both Medicaid and IDEA in the current year were \$111,365.

This is the third straight year the District has had this finding. In the prior year we reported one educator whom was charged to both IDEA and Medicaid. The District did not correct their quarterly filings to include the federal revenues received by the District for this individual. In the prior year, we reported \$68,989 in questioned costs that were not corrected.

Cause

A lack of controls exists to ensure District employees are not charged to both IDEA and Medicaid.

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 and Corrective Action Plan

This finding is from Medicaid claims in the 2013-14 fiscal year. This was corrected for 2014-15 claims as federal funds were reported to PCG for the Medicaid annual claim. Internal controls have been established to ensure federal funds are reported to PCG quarterly moving forward as well.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

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

2015-003

Department: United States Department of Education
Program Name: Special Education Cluster (IDEA)
Federal #: 84.027 and 84.173

Condition and Criteria

Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis. The District only had time-and-effort reporting documentation for one employee. However, the amount charged to the federal program for the one employee did not agree to the time spent on the federal program per the time-and-effort reporting documentation. The District was unable to provide sufficient time-and-effort reporting documentation for any other employees who were funded by the federal program.

Questioned Costs

Overall, there was \$236,031 of salary and benefit costs charged to the IDEA program for which there was no proper time and effort documentation. This entire amount is considered a questioned cost.

Effect

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

Cause

The District was unaware of the federal requirements requiring time-and-effort documentation.

Recommendation

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

District's Response and Corrective Action Plan

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, many issues needed to be addressed. Time and effort reporting was something that was not properly maintained as a result of having to address other, more immediate issues. This has been resolved for the 2015-16 fiscal year as time and effort reporting for these staff members has been reimplemented.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

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

2015-004

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

Criteria

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.

Condition

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

Questioned Costs

The total salaries and benefits of the two educators whom did not have proper licenses was \$76,864. These are considered questioned costs and were previously reported to DPI on the No Valid License Worksheet. These costs have been adjusted out from the aidable costs on the 2015-2016 aid computation.

Cause

An administrative oversight allowed these two educators to be charged to project 011, despite the educators not having a proper license.

Effect

The District charged disallowed costs to project 011.

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 and Corrective Action Plan

With regards to the aide position in this finding, numerous contacts were made throughout the FY15 fiscal year to DPI with minimal or no responses or assistance provided from DPI as they were transitioning their licensing system. As of November 3, 2015 this issue has been resolved with DPI and all current aides are licensed appropriately. With regards to the teacher position in this finding, that educator has been reassigned to students that match the level of licensure for this individual. Also, in May, 2015 the District established a Human Resources Department for the first time. Proper licensure and assignment is one area that will be overseen by this newly established department.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

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

2015-005

Department: Wisconsin Department of Public Instruction (DPI)
Program Name: Common School Fund
State #: 255.103

Condition and Criteria

The District failed to spend all the Common School Fund aid the District was awarded. Districts are required by the Wisconsin Department of Public Instruction to incur expenditures at least equal to the amount awarded to be in compliance with the matching, level of effort and/or earmarking compliance requirement.

Questioned Costs

The District's total eligible expenditures were \$6,843 less than the Common School Fund revenue the District was awarded.

Cause

The District was being fiscally conservative, only purchasing necessary items.

Effect

The District may have received grant funds for which it may not qualify.

Auditor's Recommendation

Periodic reviews of actual expenditures compared to the amount of Common School Fund Aid awarded should be performed to ensure the District is on track to spend 100% of the award.

District's Response and Corrective Action Plan

Common School Fund aid is not received by the District until the last week of April. With only a little over a month left in the school year it is difficult to try to spend any extra funds that may be available in a fiscally prudent manner. As stated above, the District was being conservative in its purchasing and only made necessary purchases instead of frivolously spending the funds on unneeded items in an unplanned manner. These funds carry over to the next fiscal year allowing for more strategically planned uses.

SCHOOL DISTRICT OF FORT ATKINSON
Fort Atkinson, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

Section IV. Other Issues

- | | |
|--|---|
| 1. Does the auditors' 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 <i>State Single Audit Guidelines</i> :

Department of Public Instruction | Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | <hr style="width: 200px; margin-left: auto; margin-right: 0;"/> Carrie A. Gindt |
| 5. Date of Report | November 11, 2015 |