

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

**AUDITED FINANCIAL STATEMENTS**

June 30, 2017

## CONTENTS

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	15
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Position .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	18
Statement of Fiduciary Net Position.....	19
Statement of Changes in Fiduciary Net Position .....	20
Notes to Financial Statements.....	21
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual— General Fund.....	45
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues And Expenditures .....	46
Schedule of Employer OPEB Contributions .....	47
Schedule of Changes in Net OPEB Liability and Related Ratios .....	48
Schedule of Funding Progress .....	49

Schedule of Net Pension Liability .....	50
Schedule of Employer WRS Contributions.....	50
Notes to Required Supplementary Information .....	51
Other Supplementary Information	
Combining Balance Sheet—General Fund .....	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—General Fund.....	55
Combining Balance Sheet—Nonmajor Governmental Funds .....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds .....	57
Agency Funds—Schedule of Changes in Assets and Liabilities .....	58
Schedule of Expenditures of Federal and State Awards.....	60
Notes to Schedules of Expenditures of Federal and State Awards .....	62
Summary Schedule of Prior Year Findings .....	63
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Independent Auditor's Report on Compliance for Major Federal and Major State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i> .....	66
Schedule of Findings and Questioned Costs.....	68



## Independent Auditor's Report

To the Board of Education  
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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## **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, 2017, 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, budgetary comparison information, schedule of funding progress, schedule of proportionate share of net pension liability, schedule of employer OPEB contributions, schedule of changes in net OPEB liability and related ratios, schedule of funding progress – supplemental pension, and notes to required supplementary information on pages 4-12 and 44-52 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 School District of Fort Atkinson's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 on our consideration of the School District of Fort Atkinson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the School District of Fort Atkinson 's 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 School District of Fort Atkinson's internal control over financial reporting and compliance.

  
Wegner CPAs, LLP  
Madison, Wisconsin  
November 1, 2017

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

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The discussion and analysis of the financial performance of the School District of Fort Atkinson (District) provides an overview of financial activities for the fiscal year ended June 30, 2017. 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**

Fiscal 2017 was the third and final year of an operational referendum approved by District electors in April 2014. This referendum granted authority to the District to exceed the state imposed revenue limits by \$1.75 million in each of the three years for operating purposes. This referendum expired in June 2017. As a result, in November 2016 the District sought and successfully passed a successor referendum which includes the \$1.75 million on a recurring (ongoing) basis, as well as an additional \$2.25 million each year for three years (2017 – 2020).

As part of the three-year referendum (2014-17), it was planned that fiscal 2017 would have a deficit that would be offset by the surplus in the first year of the referendum. Fortunately, the District received some aid increases that were not foreseen that resulted in the District ending fiscal 2017 with a small surplus.

In fiscal 2017, the District continued its' implementation of a new market based compensation system. This system is comprehensive in nature as it addresses all employees within the District and was developed to be funded through available budget dollars as opposed to driving the budget itself. The first steps in implementation were to establish a "market value" for every position in the District through a market analysis that utilizes a median value to define market value. In fiscal 2017, this model was adjusted to better meet the mutual interests of the District and its' employees. Adjustments to the model will continue to be made moving forward to adapt to the changing environment surrounding public education in Wisconsin.

Finally, in fiscal 2017, the District continued work on a new way of budgeting its limited resources to provide for the greatest educational impact with every budget dollar by further implementing best practices from the Smarter School Spending budget model. Smarter School Spending is a budget model and process that provides for better planning and decision making by creating a true partnership between academic staff and finance staff in the District. The philosophy behind it is to evaluate the effectiveness of the programs in the District and shift resources to the academic areas that will provide the largest Academic Return on Investment (AROI). More information on this budget model can be found here: <http://www.smarterschoolspending.org/>

The District is still in the early stages of implementation of the model. In the fall of 2015 the School District of Fort Atkinson joined a national group called the Alliance for Excellence in School Budgeting through the Government Finance Officers Association (GFOA). This group allows districts from across the country to work through the Smarter School Spending budget model together. The full list of members in this group can be found here: <http://www.smarterschoolspending.org/about/alliance-members>

In fiscal 2018, the District will be embarking on a strategic planning process to develop a vision and plan for the future of the School District of Fort Atkinson. Smarter School Spending will be integrated into that plan and process to ensure resources are used effectively

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

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## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

### **District-Wide Financial Statements**

*District-wide financial statements* report information about the School District of Fort Atkinson as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. 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. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's Net Position and to provide an explanation of material changes that occurred since the prior year.

### **Fund Financial Statements**

The *fund financial statements* provide detailed information about the District's significant funds rather than the School District of Fort Atkinson as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. 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**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Table 1**  
**Major Features of the District-wide and Fund Financial Statements**

	District-wide	Fund Financial Statements	
	<u>Statements</u>	<u>Governmental</u>	<u>Fiduciary</u>
<b>Scope</b>	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	The district acts as trustee or agent for another; e.g. other post employment trusts
<b>Required Financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
<b>Type of asset, liability and deferred inflows/outflows of resources information</b>	All assets, liabilities and deferred inflows/outflows of resources; both financial and capital, short-term and long-term.	Generally assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, liabilities, deferred outflows/inflows of resources, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
<b>Type of inflow and outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-43 of this report.

**Other Information**

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post-employment benefits (OPEB) liability, supplemental pension, and certain details of the District's net pension liability.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The District ended its fiscal year with net position of \$23,848,845 of which \$20,008,312 was the net investment in capital assets, \$2,886,394 was restricted for WRS pension, \$531,535 was restricted for debt service, \$13,862 was restricted for food service, \$205,333 was restricted for special purposes, and \$223,409 was unrestricted net position. Unrestricted net position represents the discretionary resources that can be used to fund general District operations.

For governmental activities, the decrease in capital assets is due to the depreciation of assets exceeding acquisitions within the fiscal year. The other item to note is the large change in restricted net position. This is due to the restriction of Wisconsin State Retirement (WRS) pension funds this year to make it clearer for the reader that those funds are unavailable to the District. These funds were not accounted for as restricted in fiscal 2016.

**Table 2**  
**Condensed Statements of Net Position**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Assets</b>			
Current and other assets	\$ 15,198	\$ 14,943	1.71%
Capital assets	26,794	28,047	-4.47%
<b>Total assets</b>	41,992	42,990	-2.32%
<b>Deferred Outflows of Resources</b>	9,026	10,479	-13.87%
<b>Liabilities</b>			
Long-term liabilities	18,293	19,862	-7.90%
Other liabilities	4,796	5,485	-12.56%
<b>Total liabilities</b>	23,089	25,347	-8.91%
<b>Deferred Inflows of Resources</b>	4,080	4,089	-0.22%
<b>Net Position as restated</b>			
Net investment in capital assets	20,008	18,891	5.91%
Restricted	3,617	868	316.71%
Unrestricted	224	4,274	-94.76%
<b>Total Net Position</b>	<u>\$ 23,849</u>	<u>\$ 24,033</u>	-0.77%

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Changes in Net Position**

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2017 with a decrease in net position of \$184,030, compared to a decrease of \$124,302 in fiscal year 2016. The decrease in net position was primarily attributed to the decrease in net position was primarily attributed to an increase in instructional expenses that were not offset by corresponding revenues. This increase in instructional expenses was largely due to an increase the number of instructional staff to meet changing student needs as well as state and federal mandates. These increases in staff positions were approved by the Board of Education in April, 2015 and included additional math teachers, special education teachers, and various interventionist positions.

The District received \$39,488,461 in revenue for the fiscal year 2017. The District relies primarily on property taxes (39.8% of total governmental revenues), and state equalization aid (41.3%) to fund governmental activities. The District received approximately 17.0% in the form of specific use state grants, federal aid and direct fees for services. Individuals who directly participated or benefited from a program paid 5.2% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services. Federal and state governments subsidized certain programs with grants and awards of \$4,628,038. Operating grants include Title I, IDEA, and National School Lunch Programs.

**Table 3**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

<b>REVENUES</b>	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Program revenues			
Charges for services	\$ 2,069	\$ 2,124	-2.59%
Operating grants & contributions	4,628	4,114	12.49%
General revenues			
Property taxes	15,701	15,558	0.92%
General aid	16,297	15,795	3.18%
Other	793	886	-10.50%
<b>Total revenues</b>	<b>39,488</b>	<b>38,477</b>	<b>2.63%</b>
<b>EXPENSES</b>			
Instruction	23,209	22,232	4.39%
Pupil and instructional services	3,256	3,204	1.62%
Administrative services	2,516	2,485	1.25%
Operation and maintenance	3,555	3,779	-5.93%
Pupil transportation	1,126	1,111	1.35%
Food service	1,264	1,328	-4.82%
Interest on debt	407	428	-4.91%
Other	4,339	4,034	7.56%
<b>Total expenses</b>	<b>39,672</b>	<b>38,601</b>	<b>2.77%</b>
<b>Change in Net Position</b>	<b>\$ (184)</b>	<b>\$ (124)</b>	<b>48.39%</b>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

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**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

Table 4 presents the cost of 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.

The cost of all governmental activities this year was \$39,672,491. Individuals who directly participated or benefited from a program offering paid for \$2,069,434 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$4,628,038. The net cost of governmental activities \$32,975,019 was financed primarily by \$12,931,684 of property taxes and \$16,297,365 of federal and state unrestricted aid.

**Table 4**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>EXPENSES</b>		
Instruction	\$ 23,209	\$ (17,897)
Pupil and instructional services	3,256	(3,207)
Administrative services	2,516	(2,425)
Operation and maintenance	3,555	(3,555)
Pupil transportation	1,126	(1,105)
Food service	1,264	(63)
Interest on debt	407	(407)
Other	4,339	(4,316)
	<hr/>	<hr/>
<b>Total expenses</b>	<u>\$ 39,672</u>	<u>\$ (32,975)</u>

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

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$11,201,181 down from last year's ending fund balance of \$11,231,651. The District's unassigned fund balance, available for spending at the district's discretion was \$10,192,528.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance increase of \$153,429, compared to an increase of \$194,443 in the prior year. The change is part of the District's long-term budget plan during the three-year operational referendum (2014-17). The District purposefully planned to have a deficit in fiscal 2017 due to a larger surplus in the first year of the referendum to carry over to offset a deficit in the third year. Fortunately, the District received some larger than expected categorical aid revenue in fiscal 2017 resulting in a surplus as opposed to a deficit.

**SCHOOL DISTRICT OF FORT ATKINSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District prepares an interim budget in May for the subsequent year (beginning July 1<sup>st</sup>). Consistent with current state statutes and regulations, an *original* budget is adopted in October following determination of the official student enrollment and certification of state aids. Generally, the original budget is not significantly modified, but minor adjustments are made for the reallocation of resources to respond to changing needs and for 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 and other financing sources of \$32,464,640 and expenditures and other financing uses of \$32,666,268.

Actual results for the year show revenues and other financing sources exceeding expenditures and other financing uses by \$153,429, which is \$355,057 greater than the *original* budget. The District finished the year better than originally budgeted due to some larger than expected categorical aid revenue, including state and federal high cost special education aid as well as Medicaid revenue.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2017, the District had \$56,849,573 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$30,055,992. Asset acquisitions for governmental activities totaled \$380,066. The District recognized depreciation expense of \$1,631,750. Detailed information about capital assets can be found in Note 4 to the financial statements.

**Table 5**  
**Capital Assets**  
*(in thousands of dollars)*

	<u>2017</u>	<u>2016</u>
Land and construction in progress	\$ 1,066	\$ 1,066
Buildings	50,460	50,460
Furniture and equipment	5,324	4,964
Accumulated depreciation	<u>(30,056)</u>	<u>(28,443)</u>
Net capital assets	<u>\$ 26,794</u>	<u>\$ 28,047</u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

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**Long-Term Debt**

At June 30, 2017, the District had \$6,765,000 in general obligation debt outstanding—a decrease of \$2,255,000 from fiscal year 2016. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 5 to the financial statements.

**Table 6**  
**Outstanding Long-term Obligations**  
*(in thousands of dollars)*

	<u>2017</u>	<u>2016</u>
General obligation debt	\$ 6,785	\$ 10,785
Compensated absences	299	274
Other postemployment benefits	<u>10,721</u>	<u>1,197</u>
Net long-term obligations	<u>\$ 17,805</u>	<u>\$ 12,256</u>

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

The following items may have a bearing on the future of the School District of Fort Atkinson:

- On November 8, 2016 the District passed an operational referendum to exceed the state imposed revenue limits. This referendum was one question with two parts. The first part of the referendum will allow the District to exceed the revenue limit by \$1.75 million on a recurring basis in perpetuity. The second part of the referendum will allow the District to exceed the revenue limit by \$2.25 million per year for three years. This will allow the District to get through the 2017-19 State biennial budget as well as the first year of the 2019-2021 biennial budget, therefore giving a clearer picture of state funding of public education in Wisconsin.
- Dr. B. Lynn Brown became the District Administrator as of July 6, 2017. She comes to the District having served as a District Administrator in another Wisconsin community for four years, preceded by being a principal in the Oshkosh Area School District for 19 years as well as working in the Chicago Public Schools.
- All three branches of government at both the state and federal level are currently held by Republican control as of January, 2017. In this political climate, the last several years there has been a greater focus on school choice and the expansion of publicly funded vouchers for both regular and special education. It is expected that this focus will continue in Wisconsin and may be enhanced at the federal level. The most recent state biennial budget (2017-19) did provide a larger than expected increase in revenue for the District, however it is not expected that will be the case with the 2019-21 biennial budget. The use of these additional resources for the District, as well as the use of existing resources will be dictated by the strategic plan to be developed by June 2018, which will incorporate best practices in school budgeting from the Smart School Spending model.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2017

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The 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:

Lynn Brown, District Superintendent at (920) 563-8707 or [brownl@fortschools.org](mailto:brownl@fortschools.org)

Jason Demerath, Business Manager at (920) 563-7809 or [demerathj@fortschools.org](mailto:demerathj@fortschools.org)

Additional information about the District and its services can also be found on the District's website at <http://www.fortschools.org/>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 9,171,711
Accounts receivable	4,416,323
Due from other governments	1,506,210
Inventories	13,648
Prepaid expenses	90,031
Capital assets not being depreciated	1,065,998
Capital assets being depreciated, net	<u>25,727,583</u>
Total assets	41,991,504
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to WRS pension	7,933,096
Related to other postemployment benefits	912,152
Unamortized loss on refunding	<u>180,834</u>
Total deferred outflows of resources	<u>9,026,082</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	3,975,468
Accrued interest	36,871
Deferred revenues	21,274
Other postemployment benefits	10,721,318
Supplemental pension	81,741
Accrued compensated absences	299,264
Unamortized premium on issuance of debt	201,103
Net pension liability	986,780
Long-term debt	
Due within one year	680,000
Due in more than one year	<u>6,085,000</u>
Total liabilities	<u>23,088,819</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to WRS pension	<u>4,079,922</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,008,312
Restricted	3,617,124
Unrestricted	<u>223,409</u>
<b>Total net position</b>	<u><u>\$ 23,848,845</u></u>

See accompanying notes.



**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

		Program Revenues		Net
				(Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular instruction	\$ 15,298,509	\$ 1,402,280	\$ 1,227,549	\$ (12,668,680)
Vocational instruction	1,116,808	-	38,147	(1,078,661)
Physical instruction	1,020,750	-	-	(1,020,750)
Special education instruction	4,673,866	-	2,571,008	(2,102,858)
Other instruction	1,098,709	72,828	-	(1,025,881)
Total instruction	23,208,642	1,475,108	3,836,704	(17,896,830)
Support services				
Pupil services	1,583,590	-	49,188	(1,534,402)
Instructional staff services	1,672,384	-	-	(1,672,384)
Administrative services	2,515,682	-	90,830	(2,424,852)
Operation and maintenance	3,554,884	-	-	(3,554,884)
Pupil transportation	1,126,243	-	20,809	(1,105,434)
Food service	1,263,843	570,456	630,507	(62,880)
Central services	988,330	-	-	(988,330)
Insurance and judgments	284,995	-	-	(284,995)
Other support services	3,066,920	23,870	-	(3,043,050)
Interest on debt	406,978	-	-	(406,978)
Total support services	16,463,849	594,326	791,334	(15,078,189)
<b>Total school district</b>	<b>\$ 39,672,491</b>	<b>\$ 2,069,434</b>	<b>\$ 4,628,038</b>	<b>(32,975,019)</b>
<b>GENERAL REVENUES</b>				
TAXES				
Property taxes, levied for general purposes				12,931,684
Property taxes, levied for debt service				2,743,040
Property taxes, levied for specific purposes				26,096
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				16,297,365
Other				762,688
Interest and investment earnings				17,304
Gain on disposal of assets				265
Miscellaneous				12,547
Change in net position				(184,030)
Net Position—beginning of year, as restated				24,032,875
<b>Net Position—end of year</b>				<b>\$ 23,848,845</b>

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 8,324,783	\$ 846,928	\$ 9,171,711
Accounts receivable	4,413,722	2,601	4,416,323
Due from other governments	1,490,211	15,999	1,506,210
Due from other funds	15,773	-	15,773
Inventory	-	13,648	13,648
Prepaid expenditures	89,817	214	90,031
<b>Total assets</b>	<b>\$ 14,334,306</b>	<b>\$ 879,390</b>	<b>\$ 15,213,696</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 311,930	\$ 31,965	\$ 343,895
Accrued salaries and wages	2,079,526	11,708	2,091,234
Payroll taxes and withholdings	1,529,270	11,069	1,540,339
Due to other funds	-	15,773	15,773
Unearned revenues	-	21,274	21,274
<b>Total liabilities</b>	<b>3,920,726</b>	<b>91,789</b>	<b>4,012,515</b>
<b>FUND BALANCES</b>			
Nonspendable	89,817	13,862	103,679
Restricted	-	773,739	773,739
Assigned	131,235	-	131,235
Unassigned	10,192,528	-	10,192,528
<b>Total fund balances</b>	<b>10,413,580</b>	<b>787,601</b>	<b>11,201,181</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,334,306</b>	<b>\$ 879,390</b>	<b>\$ 15,213,696</b>

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION  
June 30, 2017

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Total fund balances—governmental funds \$ 11,201,181

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 the governmental funds:

Cost of capital assets	\$ 56,849,573
Accumulated depreciation	<u>(30,055,992)</u>

Net capital assets 26,793,581

The net pension liability is not an available resource and, therefore, is not reported in the funds. (986,780)

Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported as assets or liabilities in the funds those assets and liabilities at year-end consist of;

Bonds and notes payable	(6,765,000)
Accrued interest payable	(36,871)
Unamortized premium on issuance of debt	(201,103)
Unamortized loss on refunding	180,834
Compensated absences	(299,264)
Other postemployment benefit liability	(10,721,318)
Supplemental pension	(81,741)
Deferred outflows related to pension	7,933,096
Deferred inflows related to pension	(4,079,922)
Deferred outflows related to other postemployment benefits	<u>912,152</u>

Total long-term obligations (13,159,137)

Total net position—governmental activities \$ 23,848,845

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 12,931,684	\$ 2,769,136	\$ 15,700,820
Local	217,604	1,242,243	1,459,847
Interdistrict payments	1,298,713	15,773	1,314,486
Intermediate sources	8,154	-	8,154
State	18,816,960	25,341	18,842,301
Federal	1,544,875	605,166	2,150,041
Other sources	196,537	1,659	198,196
Total revenues	35,014,527	4,659,318	39,673,845
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	13,397,937	343,508	13,741,445
Vocational instruction	1,102,453	14,355	1,116,808
Physical instruction	1,020,750	-	1,020,750
Special education instruction	4,673,866	-	4,673,866
Other instruction	790,346	308,363	1,098,709
Total instruction	20,985,352	666,226	21,651,578
Support services			
Pupil services	1,579,940	3,650	1,583,590
Instructional staff services	1,672,384	-	1,672,384
General administrative services	364,533	-	364,533
Building administrative services	1,704,950	20,958	1,725,908
Business administrative services	5,060,537	1,258,128	6,318,665
Central services	988,330	-	988,330
Insurance and judgments	284,995	-	284,995
Other support services	1,866,932	25,964	1,892,896
Total support services	13,522,601	1,308,700	14,831,301
Capital outlay	348,077	31,989	380,066
Debt service			
Principal	-	2,429,644	2,429,644
Interest and fees	1,180	412,072	413,252
Total expenditures	34,857,210	4,848,631	39,705,841
Excess (deficiency) of revenues over (under) expenditures	157,317	(189,313)	(31,996)
Other financing sources (uses)			
Proceeds from sale of capital assets	1,526	-	1,526
Transfers in (out)	(5,414)	5,414	-
Total other financing sources (uses)	(3,888)	5,414	1,526
<b>Net change in fund balances</b>	153,429	(183,899)	(30,470)
Fund balances—beginning of year	10,260,151	971,500	11,231,651
<b>Fund balances—end of year</b>	<b>\$ 10,413,580</b>	<b>\$ 787,601</b>	<b>\$ 11,201,181</b>

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

Net change in fund balances—total governmental funds		\$ (30,470)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 380,066	
Depreciation expense reported in the statement of activities	(1,631,750)	
Net book value of assets disposed of	<u>(1,261)</u>	
		(1,252,945)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes		2,415,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	65,915	
Amortization of premium on issuance of debt	20,634	
Amortization of loss on refunding	(65,631)	
Net increase in other postemployment benefit liability	(22,940)	
Net decrease in supplemental pension	27,236	
Net increase in compensated absences	(4,096)	
Net increase in pension expense	<u>(1,336,733)</u>	
		<u>(1,315,615)</u>
Change in net position of governmental activities		<u>\$ (184,030)</u>

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2017

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency</u>
<b>ASSETS</b>			
Cash and investments	<u>\$ 1,155,784</u>	<u>\$ 487,322</u>	<u>\$ 119,493</u>
Total assets	1,155,784	487,322	119,493
<b>LIABILITIES</b>			
Due to student organizations	<u>-</u>	<u>-</u>	<u>\$ 119,493</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 1,155,784</u>	<u>\$ 487,322</u>	

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2017

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
<b>ADDITIONS</b>		
Contributions	\$ 143,592	\$ 1,013,082
Investment earnings	<u>381,657</u>	<u>1,440</u>
Total additions	525,249	1,014,522
<b>DEDUCTIONS</b>		
Scholarships	460,494	-
Other post-employment benefits	<u>-</u>	<u>953,314</u>
Total deductions	<u>460,494</u>	<u>953,314</u>
Change in net position	64,755	61,208
Net Position—beginning of year	<u>1,091,029</u>	<u>426,114</u>
<b>Net Position—end of year</b>	<u><u>\$ 1,155,784</u></u>	<u><u>\$ 487,322</u></u>

See accompanying notes.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District of Fort Atkinson (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective July 1, 2016, the District implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 defines the net OPEB liability as the difference between the total OPEB liability and the value of assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of the District is provided on page 37.

**Reporting Entity**

The School District of Fort Atkinson operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for kindergarten through grade 12.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

**Basis of Presentation**

*District-Wide Financial Statements*

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses.



**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

**General Fund**

The general fund is the general operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

The District reports the following nonmajor governmental funds:

**Special Revenue Funds**

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund, the Community Service Fund, and the Package-Cooperative Fund as special revenue funds.

**Debt Service Fund**

Debt service fund is used to account for financial resources to be used for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund types:

**Private-Purpose Trust Fund**

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employee Benefit Trust Fund**

Employee benefit trust fund is used to account for resources legally held in trust for the District's post-retirement health insurance benefits.

**Agency Fund**

Agency fund is used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

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 tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. 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 funds, 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 resources to such programs, followed by general revenues.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

**Cash and Investments**

The District's cash and 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District may 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 governmental investment pool.

**Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided in the governmental funds since it is believed that the amount of such allowance would not be material to the financial statements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$1,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture and equipment	5 - 20

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2017 related to pension, unamortized loss on refunding, and other post-employment benefit activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2017 related to pension activity.

**Compensated Absences 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.

All vacation and sick pay is accrued when incurred in the district-wide financial statements. For governmental fund financial statements, the unpaid vested employee benefits are not expected to be paid using expendable available resources; therefore, the liability is not reported.

**Other Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**Pensions**

For purposes of measuring the net pension liability, 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 by 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.

The District provides certain administrators and teachers with a defined benefit pension plan that is closed to new entrants. The Plan is accounted for under GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. The District did not implement GASB Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68. The effects of the implementation is immaterial to the financial statements as a whole.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Long-Term Obligations**

In the district-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refunding, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

**Net Position**

In the district-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

*Restricted Net Position*—Consists of Net Position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—All other Net Position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

*Nonspendable*—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

*Restricted*—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Committed*—Resources that can only be used for specific purposes as the result of a formal action of the District's highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

*Assigned*—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District's adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.

*Unassigned*—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

**Use of Restricted Resources**

The District considers restricted amounts to be spent first when both restricted and unrestricted net position are available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

**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 1.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

**Use of Estimates**

The preparation of 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 reported amounts and disclosures.

**NOTE 2—CASH AND INVESTMENTS**

As of June 30, 2017, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Deposits with financial institutions	\$ 10,048,946	\$ 9,286,725	Custodial
Certificates of deposit	81,786	80,813	Custodial
Fixed income securities	769,448	816,543	Credit and interest rate
Equity funds	566,420	566,420	Credit and interest rate
Mutual funds	183,809	183,809	Credit and interest rate
	<u>\$ 11,650,409</u>	<u>\$ 10,934,310</u>	

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 2—CASH AND INVESTMENTS (continued)**

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

Statement of net position	
Governmental activities	\$ 9,171,711
Statement of fiduciary net position	
Trust Funds	1,643,106
Agency Fund	<u>119,493</u>
	<u><u>\$ 10,934,310</u></u>

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
  - a. Bonds or securities issued under the authority of the municipality;
  - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
  - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
  - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
  - e. Repurchase agreements with public depositories, with certain conditions.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 2—CASH AND INVESTMENTS (continued)**

The District has adopted an investment policy which permits all investment authorized under state statutes as described above

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2017, fixed income, equity fund, and mutual fund investments have a maturity of 12 months or less.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. 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 be significant to individual organizations. As of June 30, 2017, \$4,929,510 of the District's deposits with financial institutions were uninsured and uncollateralized, and \$5,817,759 of the District's deposits with financial institutions were collateralized by the pledging financial institution's trust department or agent not in the District's name. The District does not have a custodial risk policy for deposits.

*Concentration of Credit Risk*

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 2—CASH AND INVESTMENTS (continued)**

The district has the following recurring fair value measurements as of June 30, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 769,448	\$ 769,448	\$ -	\$ -
Equity funds	566,420	566,420	-	-
Mutual funds	183,809	183,809	-	-
	<u>\$ 1,519,677</u>	<u>\$ 1,519,677</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3—INTERFUND ADVANCES AND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts the general fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following is a schedule of interfund receivables and payables, including any overdrafts on pooled cash and investment accounts:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Package Cooperative	<u>\$ 15,773</u>

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

The following balances as of June 30, 2017 represent transfers in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Special Education Fund	General Fund	\$ 3,964,226
School Nutrition Services Fund	General Fund	5,414
		<u>\$ 3,969,640</u>

The transfer from the General Fund to the School Nutrition Services Fund was made to cover the current year operating deficit for the School Nutrition Services Fund.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 4—CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,065,998	\$ -	\$ -	\$ 1,065,998
Capital assets being depreciated				
Building	50,459,979	-	-	50,459,979
Furniture and equipment	4,964,438	380,066	(20,908)	5,323,596
Total capital assets being depreciated	55,424,417	380,066	(20,908)	55,783,575
Less accumulated depreciation	28,443,889	1,631,750	(19,647)	30,055,992
Total capital assets being depreciated—net	26,980,528	(1,251,684)	(1,261)	25,727,583
Governmental activity capital assets-net	<u>\$ 28,046,526</u>	<u>\$ (1,251,684)</u>	<u>\$ (1,261)</u>	<u>\$ 26,793,581</u>

Depreciation expense for governmental activities for the year ended June 30, 2017 was charged to functions as follows:

Instruction	\$ 1,580,204
Administrative Services	3,562
Operation and Maintenance of Plant	38,829
Food Service	9,155
Total depreciation:	<u>\$ 1,631,750</u>

**NOTE 5—LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/17	Due Within One Year
General obligation bonds	\$ 9,020,000	\$ -	\$ (2,255,000)	\$ 6,765,000	\$ 680,000
General obligation notes	160,000	-	(160,000)	-	-
Deferred amounts:					
Unamortized premiums and loss on refunding	(24,728)	44,997	-	20,269	-
Total G.O. debt	9,155,272	44,997	(2,415,000)	6,785,269	680,000
Accrued compensated absences	295,168	4,096	-	299,264	-
Total long-term liabilities	<u>\$ 9,450,440</u>	<u>\$ 49,093</u>	<u>\$ (2,415,000)</u>	<u>\$ 7,084,533</u>	<u>\$ 680,000</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2017 was \$412,072 and \$346,157, respectively.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 5—LONG-TERM OBLIGATIONS (continued)**

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

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,418,621,859. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2017 was as follows:

Debt limit (10% of \$1,418,621,859)	\$ 141,862,186
Less: long-term debt applicable to debt margin:	<u>6,765,000</u>
Margin of indebtedness:	<u><u>\$ 135,097,186</u></u>

General obligation debt at June 30, 2017 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2017
G.O. refunding bonds	3/31/2015	2.00%-3.00%	2/1/2027	7,510,000	<u><u>\$ 6,765,000</u></u>

Debt service requirements to maturity on general obligation debt are as follows:

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
2018	\$ 680,000	\$ 163,050	\$ 843,050
2019	695,000	138,275	833,275
2020	710,000	124,375	834,375
2021	720,000	110,175	830,175
2022	735,000	95,775	830,775
2023-2027	<u>3,225,000</u>	<u>311,875</u>	<u>3,536,875</u>
	<u><u>\$ 6,765,000</u></u>	<u><u>\$ 943,525</u></u>	<u><u>\$ 7,708,525</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$8,440,000 of debt outstanding is considered defeased.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM**

**General Information about the 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 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publication/cafr.htm>.

*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 eligible 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 service 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.

The 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	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
2015	2.9	2
2016	0.5	(5)

*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 \$1,172,584 in contributions from the employer which equaled required contributions.

Contribution rates as of June 30, 2017 are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability of \$986,780 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)**

At December 31, 2016, the District’s proportion was 0.119720%, which was an increase of 0.00031122% from its proportion measured as of December 31, 2015. For the year ended June 30, 2017, the District recognized pension expense of \$2,526,502.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,260	\$ (3,103,339)
Changes in assumptions	1,031,717	-
Net differences between projected and actual earnings on pension plan investments	5,884,821	(972,940)
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,116	(3,643)
Employer contributions subsequent to the measurement date	612,182	-
Total	<u>\$ 7,933,096</u>	<u>\$ (4,079,922)</u>

\$612,182 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows 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
2017	\$ 2,550,335	\$ (1,235,547)
2018	2,550,335	(1,235,547)
2019	2,134,515	(1,234,610)
2020	83,814	(374,218)
2021	1,915	-
	<u>\$ 7,320,914</u>	<u>\$ (4,079,922)</u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)**

**Actuarial assumptions.** The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

Core Fund Asset Class	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5	37	4.2	1.4
Inflation sensitive assets	15.5	20	4.3	1.5
Real estate	8	7	6.5	3.6
Private equity/debt	8	7	9.4	6.5
Multi-asset	4	4	6.6	3.7
Total core fund	110%	120%	7.4%	4.5%
<b>Variable Fund Asset Class</b>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)**

*Single discount rate.* A single discount rate of 7.2% 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 7.2% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.2% 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 to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District’s proportionate share of net pension liability	\$ 12,981,730	\$ 986,780	\$ (8,249,874)

*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/>.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

**Plan Description**

*Plan administration.* The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to eligible employees and their spouses. Benefits and eligibility are established and amended by the Board of Education.

*Plan membership.* At June 30, 2016, the date of the latest actuarial valuation, there were approximately 381 active plan members and 61 inactive plan members currently receiving benefits. Employees hired after July 1, 2011 were not eligible to participate in the OPEB plan.

*Contributions.* There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and for the year ended June 30, 2016, the measurement date, the District contributed \$1,087,680 to the School District of Fort Atkinson Post-Employment Benefits Trust. For the year ended June 30, 2016, the District’s average contribution rate was 7 percent of covered-employee payroll.



**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Investment rate of return	3.0% based upon all years of projected payments discounted at a 3.0% long-term expected rate of return
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.5%, then by 0.10% per year down to 5.0%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*The long-term expected rate of return on OPEB plan investments.* Since the District currently holds assets in fixed income funds or as cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

*Discount rate.* The discount rate of 3.00% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.00%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**Changes in the Net OPEB Liability**

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2015	\$ 11,242,731	\$ 368,825	\$ 10,873,906
Changes for the year:			
Service Cost	610,961	-	610,961
Interest	330,889	-	330,889
Contributions - Employer	-	1,087,680	(1,087,680)
Net investment income	-	6,758	(6,758)
Benefit payments	(1,037,149)	(1,037,149)	-
Net changes	(95,299)	57,289	(152,588)
Balances at 6/30/2016	<u>\$ 11,147,432</u>	<u>\$ 426,114</u>	<u>\$ 10,721,318</u>

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net OPEB liability	\$ 11,329,907	\$ 10,721,318	\$ 10,130,163

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 9,835,415	\$ 10,721,318	\$ 11,738,687

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the District recognized OPEB expense of \$935,092. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 912,152	\$ -

\$912,152 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

**NOTE 8—SUPPLEMENTAL PENSION**

*Plan description.* The District operates a single-employer pension plan, which is a defined benefit pension plan established to provide benefits after early retirement. The District will provide teachers and administrators with a cash benefit. The District provides administrators hired prior to July 1, 1997 and teachers hired prior to July 15, 1991 with supplemental pension wherein the District shall make an annual contribution of \$3,000 into a retiree's TSA. For administrators this annual benefit will be paid out for 5 years whereas for teachers the benefit will be paid out for a period of 4 years.

*Funding policy.* Supplemental pension benefits are funded on a pay as you go basis. Active members are not required to contribute towards these benefits. The 2017 fiscal year payment to retirees totaled \$47,000.

*Annual pension cost and net pension obligation.* The District's annual supplemental pension cost (expense) is calculated based on the annual pension cost (APC), an amount actuarially determined in accordance with the parameters of GASB Statement 27 as amended by GASB Statement 50. The APC 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.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 8—SUPPLEMENTAL PENSION (continued)**

The following table shows the components of the District's annual supplemental pension cost for the year, the amount actually paid to retirees, and changes in the District's net pension obligation.

Annual required contribution	\$ 21,607
Interest on net supplemental pension obligation	4,359
Adjustment to annual required contribution	<u>(6,202)</u>
Annual supplemental pension cost (expense)	19,764
Supplemental pension payments made	<u>(47,000)</u>
Increase in net supplemental pension obligation	(27,236)
Net supplemental pension obligation - beginning of year	<u>108,977</u>
Net supplemental pension obligation - end of year	<u><u>\$ 81,741</u></u>

The District's annual supplemental pension costs, the percentage of the annual supplemental pension cost contributed to the plan, and the net pension obligation for June 30, 2017 and the preceding two years was as follows:

Fiscal Year Ended	Annual Supplemental Pension Cost	Percentage of Annual Supplemental Pension Cost Contributed	Net Supplemental Pension Obligation
6/30/2017	\$ 19,764	237.81%	\$ 81,741
6/30/2016	19,020	331.23%	108,977
6/30/2015	13,363	656.00%	152,957

*Funded status and funding progress.* As of June 30, 2016, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$213,003. The plan has \$0 of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$213,003. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2015-2016 fiscal year was \$1,085,776 for a ratio of the UAAL to covered payroll of 19.62%.

*Actuarial methods and assumptions.* In the June 30, 2016, actuarial valuation, the entry-age normal – level percent of salary actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return. This rate includes a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period at June 30, 2016 was 20 years.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 9—GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide statement of net position at June 30, 2017 consist of the following:

Net investment in capital assets	\$ 20,008,312
Restricted	
WRS pension	\$ 2,866,394
Donor restrictions	119,268
Community services	86,065
Nutrition services	13,862
Debt service	<u>531,535</u>
Total restricted	3,617,124
Unrestricted	<u>223,409</u>
Total governmental activities net position	<u><u>\$ 23,848,845</u></u>

**NOTE 10—GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the financial statements at June 30, 2017 include the following:

Nonspendable	
General fund	
Prepaid expenditures	\$ 89,817
Nutrition services	
Prepaid expenditures	214
Inventories	<u>13,648</u>
Total nonspendable fund balance	103,679
Restricted	
Special purpose	119,268
Debt service	568,406
Community services	<u>86,065</u>
Total restricted	773,739
Assigned	
Barrie Elementary insurance funds	15,440
Building rentals	43,340
Curriculum development	17,882
Other	<u>54,573</u>
Total assigned	131,235
Unassigned	<u>10,192,528</u>
Total governmental fund balance	<u><u>\$ 11,201,181</u></u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 11—RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

**NOTE 12—LIMITATION OF SCHOOL DISTRICT REVENUES**

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. 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 a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

**NOTE 13—OPERATING LEASES**

The District has leases on a number of its copiers. Future minimum payments on these leases are \$67,119 for the year ended June 30, 2018.

**NOTE 14—COMMITMENTS AND CONTINGENCIES**

From time to time the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect 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.

**NOTE 15—PRIOR PERIOD ADJUSTMENT**

The Government Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Under GASB 74 and GASB 75, the District is required to disclose the net OPEB liability and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$8,793,776, was made to decrease the June 30, 2016 net position of the Government Activities on the statement of activities based on the net OPEB liability and related deferred outflows of resources balances as of June 30, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF FORT ATKINSON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,711,689	\$ 12,931,684	\$ 12,931,684	\$ -
Local	198,582	202,939	217,604	14,665
Interdistrict payments	1,171,976	1,321,495	1,298,713	(22,782)
State	16,689,713	17,200,222	17,220,880	20,658
Federal	629,988	687,722	657,463	(30,259)
Other sources	17,692	76,421	196,537	120,116
Total revenues	32,419,640	32,420,483	32,522,881	102,398
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	13,551,925	13,443,036	13,568,346	(125,310)
Vocational instruction	1,104,740	1,106,635	1,093,283	13,352
Physical instruction	1,037,027	1,024,309	1,020,750	3,559
Other instruction	794,341	796,281	791,475	4,806
Total instruction	16,488,033	16,370,261	16,473,854	(103,593)
Support services				
Pupil services	939,755	914,663	933,857	(19,194)
Instructional staff services	1,597,606	1,636,578	1,520,806	115,772
General administrative services	377,741	388,802	365,809	22,993
Building administrative services	1,672,600	1,700,777	1,704,950	(4,173)
Business administrative services	5,286,819	4,703,725	4,755,770	(52,045)
Central services	864,749	917,147	1,001,449	(84,302)
Insurance and judgments	298,743	298,871	284,995	13,876
Other support services	1,212,166	1,422,340	1,358,668	63,672
Total support services	12,250,179	11,982,903	11,926,304	56,599
Interest and fees	2,000	2,057	1,180	877
Total expenditures	28,740,212	28,355,221	28,401,338	(46,117)
Excess (deficiency) of revenues over (under) expenditures	3,679,428	4,065,262	4,121,543	56,281
Other financing sources (uses)				
Proceeds from sale of assets	45,000	45,000	1,526	(43,474)
Transfers in (out)	(3,926,056)	(4,236,445)	(3,969,640)	266,805
<b>Net change in fund balances</b>	(201,628)	(126,183)	153,429	279,612
Fund balances—beginning of year	10,260,151	10,260,151	10,260,151	-
<b>Fund balances—end of year</b>	<u>\$ 10,058,523</u>	<u>\$ 10,133,968</u>	<u>\$ 10,413,580</u>	<u>\$ 279,612</u>

See accompanying notes to required supplementary information.



**SCHOOL DISTRICT OF FORT ATKINSON**  
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS  
AND GAAP REVENUES AND EXPENDITURES  
Year Ended June 30, 2017

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**SOURCES/INFLOWS OF RESOURCES:**

Actual General Fund operating revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 32,522,881
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>2,491,646</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 35,014,527</u>

**USES/OUTFLOWS OF RESOURCES:**

Actual General Fund expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 28,401,338
Reclassification: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>6,455,872</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 34,857,210</u>

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
Last 10 Fiscal Years\*

	2016
Actuarially Determined Contribution (ADC)	\$ 962,310
Contributions in relation to ADC	\$ 1,087,680
Contribution deficiency (excess)	\$ (125,370)
The District's covered-employee payroll	\$ 15,538,550
Contributions as a percentage of covered-employee payroll	7.00%

\*The amounts presented were determined as of a measurement date 12 months prior to year end.

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years\*

	2016
<b>Total OPEB Liability:</b>	
Service cost	\$ 610,961
Interest	330,889
Benefit payments	<u>(1,037,149)</u>
Net Change in OPEB Liability	(95,299)
Total OPEB liability - beginning	<u>11,242,731</u>
Total OPEB liability - ending (a)	<u><u>\$ 11,147,432</u></u>
<b>Total Fiduciary Net Position:</b>	
Contributions - Employer	\$ 1,087,680
Net investment income	6,758
Benefit payments	<u>(1,037,149)</u>
Net change in fiduciary net position	57,289
Fiduciary net position - beginning	<u>368,825</u>
Fiduciary net position - ending (b)	<u><u>\$ 426,114</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 10,721,318</u></u>
Fiduciary net position as a percentage of the total OPEB liability	3.82%
Covered payroll	\$ 15,538,550
Net OPEB liability as a percentage of covered payroll	69.00%

\*The amounts presented were determined as of a measurement date 12 months prior to year end.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF FUNDING PROGRESS - SUPPLEMENTAL PENSION**  
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b ) - ( a )	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2016	\$ -	\$ 213,003	\$ 213,003	0.00%	\$ 1,085,776	19.62%
7/1/2014	-	298,410	298,410	0.00%	16,422,849	1.82%
7/1/2012	-	368,020	368,020	0.00%	16,193,451	2.27%

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	2016	2015	2014
The District's proportion of the net pension liability	0.119720%	0.119409%	0.120025%
The District's proportionate share of the net pension liability	\$ 986,780	\$ 1,940,373	\$ (2,948,135)
The District's covered-employee payroll	\$ 17,776,360	\$ 16,905,664	\$ 16,422,849
The District's proportionate share as a percentage of covered payroll	5.55%	11.48%	17.95%
Plan fiduciary net position as a percentage of the total pension liability	99.12%	98.20%	102.74%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	2016	2015	2014
Contractually required contributions	\$ 1,172,584	\$ 1,149,585	\$ 1,149,599
Contributions in relation to the contractually required contributions	\$ 1,172,584	\$ 1,149,585	\$ 1,149,599
The District's covered-employee payroll	\$ 17,776,360	\$ 16,905,664	\$ 16,422,849
Contributions as a percentage of covered-employee payroll	6.60%	6.80%	7.00%

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

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2017

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**NOTE 1—BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

**Excess Expenditures Over Appropriations**

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2017.

<u>Function</u>	<u>Excess Expenditures</u>
Regular instruction	\$ 125,310
Pupil services	19,194
Building administrative services	4,173
Business administrative services	52,045
Central services	84,302

**NOTE 2—FUNDING PROGRESS DATA**

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

**NOTE 3—WRS SCHEDULE OF CONTRIBUTIONS**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* There were no changes in the assumptions.

**NOTE 4—OPEB SCHEDULE OF CONTRIBUTIONS**

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* There were no changes in the assumptions.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2017

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**NOTE 5— NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS**

Methods and assumptions used to determine OPEB contribution rates are as follows:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2016
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Amortization Method:	30 year Level %
Amortization Growth Rate:	3.0%
Discount Rate:	5.0%
Inflation:	3.0%

## **OTHER SUPPLEMENTARY INFORMATION**



**SCHOOL DISTRICT OF FORT ATKINSON**  
**COMBINING BALANCE SHEET—GENERAL FUND**  
June 30, 2017

	General Operating Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$ 8,133,677	\$ 191,106	\$ 8,324,783
Accounts receivable	4,413,722	-	4,413,722
Due from other governments	948,766	541,445	1,490,211
Due from other funds	15,773	-	15,773
Prepaid expenditures	89,817	-	89,817
<b>Total assets</b>	<u>\$ 13,601,755</u>	<u>\$ 732,551</u>	<u>\$ 14,334,306</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 159,923	\$ 152,007	\$ 311,930
Accrued salaries and wages	1,663,709	415,817	2,079,526
Payroll taxes and withholdings	1,364,543	164,727	1,529,270
<b>Total liabilities</b>	3,188,175	732,551	3,920,726
<b>FUND BALANCES</b>			
Nonspendable	89,817	-	89,817
Assigned	131,235	-	131,235
Unassigned	10,192,528	-	10,192,528
<b>Total fund balances</b>	<u>10,413,580</u>	<u>-</u>	<u>10,413,580</u>
<b>Total liabilities and fund balances</b>	<u>\$ 13,601,755</u>	<u>\$ 732,551</u>	<u>\$ 14,334,306</u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL FUND**  
Year Ended June 30, 2017

	General Operating Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Taxes	\$ 12,931,684	\$ -	\$ 12,931,684
Local	217,604	-	217,604
Interdistrict payments	1,298,713	-	1,298,713
Intermediate sources	-	8,154	8,154
State	17,220,880	1,596,080	18,816,960
Federal	657,463	887,412	1,544,875
Other sources	196,537	-	196,537
Total revenues	32,522,881	2,491,646	35,014,527
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	13,397,937	-	13,397,937
Vocational instruction	1,093,283	9,170	1,102,453
Physical instruction	1,020,750	-	1,020,750
Special education instruction	-	4,673,866	4,673,866
Other instruction	790,346	-	790,346
Total instruction	16,302,316	4,683,036	20,985,352
Support services			
Pupil services	933,857	646,083	1,579,940
Instructional staff services	1,494,703	177,681	1,672,384
General administrative services	364,533	-	364,533
Building administrative services	1,704,950	-	1,704,950
Business administrative services	4,662,950	397,587	5,060,537
Central services	988,330	-	988,330
Insurance and judgments	284,995	-	284,995
Other support services	1,358,668	508,264	1,866,932
Total support services	11,792,986	1,729,615	13,522,601
Capital outlay	304,856	43,221	348,077
Debt service			
Interest and fees	1,180	-	1,180
Total expenditures	28,401,338	6,455,872	34,857,210
Excess (deficiency) of revenues over (under) expenditures	4,121,543	(3,964,226)	157,317
Other financing sources (uses)			
Proceeds from sale of assets	1,526	-	1,526
Transfers in (out)	(3,969,640)	3,964,226	(5,414)
Total other financing sources (uses)	(3,968,114)	3,964,226	(3,888)
<b>Net change in fund balances</b>	153,429	-	153,429
Fund balances—beginning of year	10,260,151	-	10,260,151
<b>Fund balances—end of year</b>	<b>\$ 10,413,580</b>	<b>\$ -</b>	<b>\$ 10,413,580</b>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Special Revenue	School Nutrition Services	Community Services	Package Cooperative	Debt Service Fund	
<b>ASSETS</b>						
Cash and investments	\$ 127,867	\$ 64,590	\$ 86,065	\$ -	\$ 568,406	\$ 846,928
Accounts receivable	-	2,601	-	-	-	2,601
Due from other governments	-	226	-	15,773	-	15,999
Inventory	-	13,648	-	-	-	13,648
Prepaid expenditures	-	214	-	-	-	214
<b>Total assets</b>	<u>\$ 127,867</u>	<u>\$ 81,279</u>	<u>\$ 86,065</u>	<u>\$ 15,773</u>	<u>\$ 568,406</u>	<u>\$ 879,390</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 8,599	\$ 23,366	\$ -	\$ -	\$ -	\$ 31,965
Accrued salaries and wages	-	11,708	-	-	-	11,708
Payroll taxes and withholdings	-	11,069	-	-	-	11,069
Due to other funds	-	-	-	15,773	-	15,773
Unearned revenue	-	21,274	-	-	-	21,274
<b>Total liabilities</b>	8,599	67,417	-	15,773	-	91,789
<b>FUND BALANCES</b>						
Nonspendable	-	13,862	-	-	-	13,862
Restricted	119,268	-	86,065	-	568,406	773,739
<b>Total fund balances</b>	<u>119,268</u>	<u>13,862</u>	<u>86,065</u>	<u>-</u>	<u>568,406</u>	<u>787,601</u>
<b>Total liabilities and fund balances</b>	<u>\$ 127,867</u>	<u>\$ 81,279</u>	<u>\$ 86,065</u>	<u>\$ 15,773</u>	<u>\$ 568,406</u>	<u>\$ 879,390</u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2017

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Special Revenue	School Nutrition Services	Community Services	Package Cooperative	Debt Service Fund	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 26,096	\$ -	\$ 2,743,040	\$ 2,769,136
Local	644,448	571,611	23,870	-	2,314	1,242,243
Interdistrict payments	-	-	-	15,773	-	15,773
State	-	25,341	-	-	-	25,341
Federal	-	605,166	-	-	-	605,166
Other sources	212	1,447	-	-	-	1,659
Total revenues	644,660	1,203,565	49,966	15,773	2,745,354	4,659,318
<b>EXPENDITURES</b>						
Instruction						
Regular instruction	343,508	-	-	-	-	343,508
Vocational instruction	1,220	-	-	13,135	-	14,355
Other instruction	308,363	-	-	-	-	308,363
Total instruction	653,091	-	-	13,135	-	666,226
Support services						
Pupil services	3,650	-	-	-	-	3,650
Building administrative services	20,958	-	-	-	-	20,958
Business administrative services	888	1,254,688	2,552	-	-	1,258,128
Other support services	-	-	25,964	-	-	25,964
Total support services	25,496	1,254,688	28,516	-	-	1,308,700
Capital outlay	28,202	1,149	-	2,638	-	31,989
Debt service						
Principal	-	-	-	-	2,429,644	2,429,644
Interest and fees	-	-	-	-	412,072	412,072
Total expenditures	706,789	1,255,837	28,516	15,773	2,841,716	4,848,631
Excess (deficiency) of revenues over (under) expenditures	(62,129)	(52,272)	21,450	-	(96,362)	(189,313)
Other financing sources						
Transfers in	-	5,414	-	-	-	5,414
<b>Net change in fund balances</b>	(62,129)	(46,858)	21,450	-	(96,362)	(183,899)
Fund balances—beginning of year	181,397	60,720	64,615	-	664,768	971,500
<b>Fund balances—end of year</b>	<u>\$ 119,268</u>	<u>\$ 13,862</u>	<u>\$ 86,065</u>	<u>\$ -</u>	<u>\$ 568,406</u>	<u>\$ 787,601</u>

**SCHOOL DISTRICT OF FORT ATKINSON**  
**AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
Year Ended June 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
<b>ASSETS</b>				
Cash and investments	\$ 97,025	\$ 302,136	\$ 279,668	\$ 119,493
<b>LIABILITIES</b>				
Due to student organizations				
Barrie Elementary	\$ 15,365	\$ 8,323	\$ 6,064	\$ 17,624
Luther Elementary	8,319	2,163	2,044	8,438
Purdy Elementary	1,530	311	146	1,695
Rockwell Elementary	2,413	3,446	4,045	1,814
Middle School	3,547	12,742	12,211	4,078
High School	65,851	275,151	255,158	85,844
<b>Total liabilities</b>	\$ 97,025	\$ 302,136	\$ 279,668	\$ 119,493

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND OTHER AUDITORS' REPORTS**

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant ID	Accrued or (Unearned) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/17
<b>Department of Agriculture</b>						
Pass-through programs from Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
School Breakfast Program	10.553	2017-281883-SB-546	\$ -	\$ 69,797	\$ 69,797	\$ -
National School Lunch Program - Snacks	10.555	2017-281883-NSL-Snacks-561	-	4,362	4,497	135
National School Lunch Program - Food Commodities	10.555	2017-281883-NSL-547	-	107,145	107,145	-
National School Lunch Program	10.555	2017-281883-NSL-547	-	423,727	423,727	-
<b>Total Department of Agriculture</b>			-	605,031	605,166	135
<b>Department of Education</b>						
Pass-through programs from Wisconsin Department of Public Instruction						
Special Education Cluster						
Special Education--Grants to States	84.027	2017-281883-IDEA-341	629,241	696,935	634,344	566,650
Special Education--Preschool Grants	84.173	17-281883-Pre-S-347	10,760	10,760	8,841	8,841
<b>Total Special Education Cluster</b>			640,001	707,695	643,185	575,491
Title I Grants to Local Education Agencies	84.010	17-281883-Title I-141	368,907	368,907	395,210	395,210
English Language Acquisition State Grants	84.365	17-281883-Title III A-391	16,972	16,972	22,260	22,260
Improving Teacher Quality State Grants	84.367	17-281883-Title II-365	59,782	59,782	100,420	100,420
Pass-through School District of Jefferson						
Career and Technical Education - Basic Grants to States	84.048		16,559	16,559	15,773	15,773
<b>Total Department of Education</b>			1,102,221	1,169,915	1,176,848	1,109,154
<b>Department of Health and Human Services</b>						
Pass-through program from Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		-	359,674	383,802	24,128
<b>Total federal programs</b>			<u>\$ 1,102,221</u>	<u>\$ 2,134,620</u>	<u>\$ 2,165,816</u>	<u>\$ 1,133,417</u>

See accompanying notes to schedule of expenditures of federal and state awards.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2017

State Grantor/ Program Title	State Identifying Number	Grant ID	Accrued or (Unearned) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/17
<b>Wisconsin Department of Public Instruction</b>						
Special Education and School Age Parents Pass-through CESA #2	255.101	281883-100	\$ -	\$ 1,359,947	\$ 1,359,947	\$ -
Special Education and School Age Parents	255.101		557	6,672	8,154	2,039
Total Special Education and School Age Parents			557	1,366,619	1,368,101	2,039
State School Lunch Aid	255.102	281883-107	-	13,753	13,753	-
Common School Fund Library Aid	255.103	281883-104	-	90,830	90,830	-
General Transportation Aid for Public School Pupils	255.107	281883-102	-	20,809	20,809	-
Wisconsin School Day Milk Program	255.115	281883-109	-	7,362	7,362	-
Equalization Aids	255.201	281883-116	277,229	16,296,554	16,297,365	278,040
High Cost Special Education Aid	255.210	281883-119	-	235,557	235,557	-
School Breakfast Program	255.344	281883-108	-	4,226	4,226	-
Educator Effective Eval Sys Grants Public	255.940	281883-154	16,426	16,426	16,145	16,145
Per Pupil Aid	255.945	281883-113	421,050	1,117,050	696,000	-
Career and Technical Education Incentive Grants	255.950	281883-151	-	28,193	28,193	-
Assessments of Reading Readiness	255.956	281883-166	-	4,850	4,850	-
Aid for Special Ed Transition Grant BBL	255.960	281883-168	-	576	576	-
Pass-through Whitewater Unified School District Peer Review and Mentoring	255.301		-	6,169	6,169	-
<b>Total Wisconsin Department of Public Instruction</b>			715,262	19,208,974	18,789,936	296,224
<b>Wisconsin Department of Revenue</b>						
Exempt Computer Aid			71,843	71,843	61,037	61,037
<b>Total State Programs</b>			<u>\$ 787,105</u>	<u>\$ 19,280,817</u>	<u>\$ 18,850,973</u>	<u>\$ 357,261</u>

See accompanying notes to schedule of expenditures of federal and state awards.



**SCHOOL DISTRICT OF FORT ATKINSON**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2017

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**NOTE 1—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3—FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, there were no commodities in inventory at the District.

**NOTE 4—OVERSIGHT AGENCIES**

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

**NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION**

Eligible costs for special education under project 011 were \$5,594,809 for the year ended June 30, 2017.

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2017

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2016-001

Condition: DPI identified an employee on the No Valid License Listing

Status: This finding has been resolved.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Fort Atkinson (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise School District of Fort Atkinson's basic financial statements, and have issued our report thereon dated November 1, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of Fort Atkinson'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 School District of Fort Atkinson's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Fort Atkinson'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 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 School District of Fort Atkinson's financial statements are free from 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*.

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### **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 result 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.

  
Wegner CPAs, LLP  
Madison, Wisconsin  
November 1, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND  
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

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

**Report on Compliance for Major Federal Program and Major State Program**

We have audited School District of Fort Atkinson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on School District of Fort Atkinson's major federal program and its major state program for the year ended June 30, 2017. School District of Fort Atkinson's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for School District of Fort Atkinson's major federal program and its major state program 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Those standards, the Uniform Guidance, and the *Guidelines* 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 major state program occurred. An audit includes examining, on a test basis, evidence about School District of Fort Atkinson'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 the major federal program and the major state program. However, our audit does not provide a legal determination of School District of Fort Atkinson's compliance.

***Opinion on Major Federal and Major State Program***

In our opinion, School District of Fort Atkinson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and its major state program for the year ended June 30, 2017.

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## ***Report on Internal Control Over Compliance***

Management of School District of Fort Atkinson 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 School District of Fort Atkinson's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and its major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 School District of Fort Atkinson's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

  
Wegner CPAs, LLP  
Madison, Wisconsin  
November 1, 2017

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2017

**Section I—Summary of Auditor's Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

*State Awards*

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

**SCHOOL DISTRICT OF FORT ATKINSON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2017

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported? No

Identification of state major programs:

State Identifying Number	Name of State Program
255.201	Equalization Aids

**Section II—Financial Statement Findings**

No items were reported.

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

No items were reported.

**Section IV—Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines* :

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report December 1, 2017