
**APPLETON AREA SCHOOL DISTRICT
APPLETON, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

June 30, 2013

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13 - 14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15 - 16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17 - 18
Statement of Net Position - Nonmajor Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Proprietary Funds	20
Statement of Cash Flows - Nonmajor Proprietary Funds	21
Statement of Net Position - Fiduciary Funds	22
Statement of Changes in Net Position - Fiduciary Funds	23
Notes to Basic Financial Statements	24 - 44
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund – Budgetary Basis	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	46
Schedule of Employer Contributions	47
Schedule of Funding Progress	48
Notes to Required Supplementary Information	49 - 50
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	51 - 52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	53 - 54
Schedule of Changes in Assets and Liabilities - Pupil Activity Fund	55

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

June 30, 2013

Table of Contents

	<u>Page No.</u>
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
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>	56 - 57
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	58 - 59
Schedule of Expenditures of Federal Awards	60 - 67
Schedule of State Financial Assistance	68 - 69
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	70
Schedule of Findings and Questioned Costs	71 - 75
Schedule of Prior Year Audit Findings and Corrective Action Plan	76



INDEPENDENT AUDITORS' REPORT

To the Board of Education
Appleton Area School District
Appleton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Appleton Area School District, Wisconsin ("the District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.4.g to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 4 through 11, and 45 through 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information and schedules of expenditures of federal awards and state financial assistance 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 supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the District's 2012 financial statements, and our report dated October 30, 2012, expressed modified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
November 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



Appleton Area School District

10 College Avenue, Suite 214 • P.O. Box 2019 • Appleton, WI 54912-2019
Business Services: 920-832-6128 • Fax: 920-832-6056

Management's Discussion and Analysis June 30, 2013

The management of the Appleton Area School district offers readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. Readers should consider the information presented in the Management Discussion and Analysis in conjunction with the basic financial statements and the notes to the financial statements, which follow this narrative.

Financial Highlights

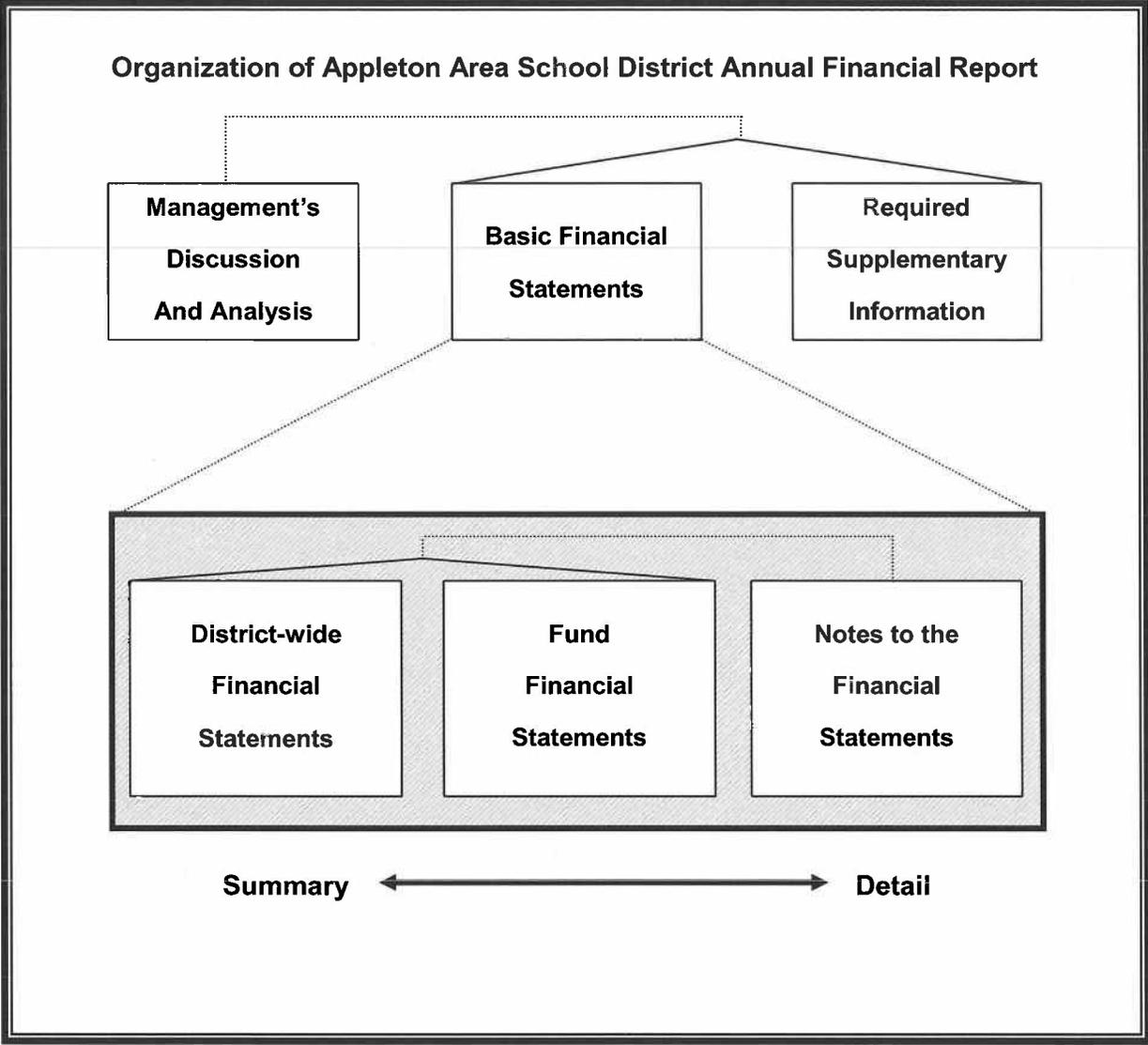
- Spending restraint was demonstrated in several general fund categories including capital projects, technology purchases and educational and administrative staffing.
- Fund Balance in the general fund decreased by \$276,036.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The basic financial statements include two types of statements that present different financial perspectives of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about activities that the district operates like a business (such as food service).
- Fiduciary funds statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The following chart shows how the parts of this annual report are arranged and relate to one another.



District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the related cash is received or paid.

The two district-wide statements report the district's net position and how they have changed. The net position, which is the difference between district assets, deferred outflows of resources and liabilities, is one way to measure the districts' financial position.

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or declining, respectively.
- To assess the districts overall financial position, you also need to consider additional non-financial factors such as changes in the property tax base and condition of school district facilities.

In the district-wide financial statements, the district's activities are divided into two categories:

- *Governmental activities:* Most of the district's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities:* The district charges fees to help it cover the costs of certain services it provides. The district's food services and community services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds, not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The district has three kinds of funds:

- *Governmental funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The district is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance Sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Out flow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Financial Analysis of the District as a Whole

Net Position. The district's *combined* net position was less on June 30, 2013 than they were the year before.

Figure A-1 Condensed Statement of Net Position				
	2013 Governmental Activities	2013 Business-type Activities	2013 Total District	2012 Total District
Current and other assets	\$ 40,816,681	\$ 2,602,376	\$ 43,419,057	\$ 44,480,241
Capital assets	71,973,979	1,207,727	73,181,706	76,732,147
Total Assets	112,790,660	3,810,103	116,600,763	121,212,388
Deferred Outflows of Resources				
Loss on advanced refunding	960,552	-	960,552	-
Long-term obligations	82,181,555	-	82,181,555	73,303,032
Other liabilities	18,764,152	509,724	19,273,876	20,068,532
Total Liabilities	100,945,707	509,724	101,455,431	93,371,564
Net Position				
Net investment in capital assets	47,774,531	1,207,727	48,982,258	52,652,744
Restricted	3,253,364	2,092,652	5,346,016	3,310,574
Unrestricted (deficit)	(38,222,390)	-	(38,222,390)	(28,122,494)
Total Net Position	\$ 12,805,505	\$ 3,300,379	\$ 16,105,884	\$ 27,840,824

The District's total net position decreased to \$16,105,884 in 2012-2013. This is a decrease of \$11,458,168. Total revenues were \$172,221,122, a decrease of \$4,582,098, primarily due to a decrease in state aids. Total cost of programs and services of \$183,679,290 was an increase of \$7,692,239.

The District's expenses are predominantly related to instructing, caring for (pupil services), transporting students, and building maintenance. The district's administrative, transportation, facilities operations and business activities accounted for less than 25% of total costs.

Figure A-2 Changes in Net Position from Operating Results

	2013 Governmental Activities	2013 Business-type Activities	2013 Total District	2012 Total District
Revenues				
Program Revenues				
Charges for services	\$ 8,745,062	\$ 2,583,520	\$ 11,328,582	\$ 11,021,423
Operating grants and contributions	17,931,154	3,544,885	21,476,039	24,017,485
Capital grants and contributions	-	-	-	200,000
General Revenues				
Property taxes	61,817,286	1,467,000	63,284,286	64,512,088
State formula aid	74,843,881	-	74,843,881	74,431,419
Other	1,288,334	-	1,288,334	2,620,805
Total Revenues	164,625,717	7,595,405	172,221,122	176,803,220
Expenses				
Instruction	102,037,800	-	102,037,800	104,162,799
Support Services	65,280,964	-	65,280,964	56,070,045
Interest on debt	1,788,487	-	1,788,487	1,682,681
Non-Program	3,354,518	-	3,354,518	3,029,350
Depreciation - unallocated	4,269,441	-	4,269,441	3,663,428
Other	-	6,948,080	6,948,080	7,378,748
Total Expenses	176,731,210	6,948,080	183,679,290	175,987,051
Increase (Decrease) in Net Position	\$ (12,105,493)	\$ 647,325	\$ (11,458,168)	\$ 816,169

- The change in net position over the past year was a decrease in net position of \$11,458,168. The change in other post-employment benefits accounted for approximately \$9 million of this decrease.

Governmental Activities

The recent good health of the district's finances can be credited to expenditure restraint, unique one-time revenue and to a fairly stable economy and innovative management changes:

- Contracting out some services previously provided to individual schools by the central district office.
- Reductions in staff to bring expenditures in line with revenues.
- The cost of all *governmental* activities this year was \$176,731,210.
- The users of the district's programs financed some of the cost. (5.3%).
- The federal and state governments subsidized certain programs with grants and contributions. (11%).
- The remaining portion of governmental activities was financed with \$61,817,286 in property taxes and \$74,843,881 of unrestricted state aid based on the statewide equalization aid formula.

Business-Type Activities

Revenues exceeded expenses of the district's business-type activities by \$647,325.

Financial Analysis of the District's Funds

The strong financial status of the district as a whole is reflected in its general fund balance of \$17,936,489 plus the total fund balance of all governmental funds of \$22,403,521. As the district completed the year, its governmental activities reported combined net position of \$12,805,505.

In addition to the district-wide financial statements, food services and community services programs are reported in greater detail in the proprietary fund statements.

General Fund Budgetary Highlights

Over the course of the year, the district revised the annual operating budget a number of times. These budget amendments fall into three categories:

- New Grant Revenues and Expenditures
- Site Budget Transfers
- Operating Transfers

The result of these revisions generally have no effect on the budgeted net change in fund balance.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2012-13 fiscal year, the district had invested in a broad range of capital assets including land, buildings, athletic facilities, computer and audio-visual equipment, and other instructional or support equipment. (More detailed information about capital assets can be found in Note B3 to the financial statements.) Total depreciation expense for the year for governmental activities was \$4,270,035.

	2013 Governmental Activities	2013 Business-type Activities	2013 Total District	2012 Total District
Land	\$ 7,593,005	\$ -	\$ 7,593,005	\$ 8,286,828
Buildings	117,447,729	1,134,026	118,581,755	118,304,087
Machinery and equipment	23,665,372	898,426	24,563,798	25,475,449
Accumulated depreciation	(76,732,127)	(824,725)	(77,556,852)	(75,334,217)
Total	<u>\$ 71,973,979</u>	<u>\$ 1,207,727</u>	<u>\$ 73,181,706</u>	<u>\$ 76,732,147</u>

Long-Term Obligations

At year-end, the district had \$32,430,000 in general obligation bonds and notes as well as \$49,751,555 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the district's long-term liabilities is presented in Note B7 to the financial statements.)

- The district refunded debt to obtain lower interest costs in the future.

	2013 Total District	2012 Total District
General obligation debt	\$ 32,430,000	\$ 32,225,000
Other	49,751,555	41,078,032
Total	<u>\$ 82,181,555</u>	<u>\$ 73,303,032</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the district was aware of existing circumstances that could significantly affect its financial health in the future:

- There is uncertainty with regard to future state legislation as it effects school funding.

Contacting the District's Financial Management

The financial report is designed to provide the district's citizens, taxpayers, customers, and 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 the Business Office of the Appleton Area School District at 122 E. College Avenue, Suite 1A, Appleton, WI or by calling (920) 832-6128.

BASIC FINANCIAL STATEMENTS

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Statement of Net Position

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Governmental Activities	Business-type Activities	Total		Component Unit
			2013	2012	Wisconsin Connections Academy
ASSETS					
Cash and investments	\$ 24,805,607	\$ 8,136	\$ 24,813,743	\$ 22,721,954	\$ 37,767
Receivables					
Taxes	13,732,846	-	13,732,846	14,840,158	-
Accounts	680,235	20,452	700,687	812,461	-
Internal balances	(2,146,713)	2,146,713	-	-	-
Due from other governments	3,744,706	427,075	4,171,781	5,718,916	-
Prepaid items	-	-	-	109,980	-
Deferred charges	-	-	-	276,772	-
Total Current Assets	40,816,681	2,602,376	43,419,057	44,480,241	37,767
Capital Assets					
Land	7,593,005	-	7,593,005	8,286,828	-
Buildings and improvements	117,447,729	1,134,026	118,581,755	118,304,087	-
Machinery and equipment	23,665,372	898,426	24,563,798	25,475,449	-
Less: Accumulated depreciation	(76,732,127)	(824,725)	(77,556,852)	(75,334,217)	-
Total Capital Assets, net of accumulated depreciation	71,973,979	1,207,727	73,181,706	76,732,147	-
TOTAL ASSETS	112,790,660	3,810,103	116,600,763	121,212,388	37,767
DEFERRED OUTFLOWS OF RESOURCES					
Loss on advanced refunding	960,552	-	960,552	-	-
LIABILITIES					
Accounts payable	1,303,499	428,412	1,731,911	1,827,523	-
Accrued payroll liabilities	17,107,261	-	17,107,261	17,332,488	-
Accrued interest payable	350,992	-	350,992	505,825	-
Unearned revenues	2,400	81,312	83,712	402,696	-
Total Current Liabilities	18,764,152	509,724	19,273,876	20,068,532	-
Long-term obligations					
Due within one year	9,406,468	-	9,406,468	9,347,992	-
Due in more than one year	72,775,087	-	72,775,087	63,955,040	-
TOTAL LIABILITIES	100,945,707	509,724	101,455,431	93,371,564	-
NET POSITION					
Net Investment in capital assets	47,774,531	1,207,727	48,982,258	52,652,744	-
Restricted for					
Debt service	3,253,364	-	3,253,364	3,310,574	-
Proprietary activities	-	2,092,652	2,092,652	1,582,773	-
Unrestricted (deficit)	(38,222,390)	-	(38,222,390)	(29,705,267)	37,767
TOTAL NET POSITION	\$ 12,805,505	\$ 3,300,379	\$ 16,105,884	\$ 27,840,824	\$ 37,767

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Statement of Activities

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	102,037,800	8,745,061	\$ 11,502,996
Support services	65,280,964	-	6,413,776
Interest on debt	1,788,487	-	-
Non-program	3,354,518	-	14,382
Depreciation - unallocated	4,269,441	-	-
Total Governmental Activities	<u>176,731,210</u>	<u>8,745,061</u>	<u>17,931,154</u>
Business-type Activities			
School food service program	5,613,624	2,396,278	3,544,885
Community service program	1,334,456	187,242	-
Total Business-type Activities	<u>6,948,080</u>	<u>2,583,520</u>	<u>3,544,885</u>
Component Unit Activities			
Wisconsin Connections Academy	8,872	7,500	-
Total School District	<u>\$ 183,688,162</u>	<u>\$ 11,336,081</u>	<u>\$ 21,476,039</u>

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for capital projects
- Property taxes, levied for community services
- Other taxes
- State and federal aids not restricted to specific functions
- Interest and investment earnings
- Gifts and donations
- Miscellaneous
- Total General Revenues

Change in net position

Cumulative effect of change in accounting principles

Net position - July 1

Net position - June 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				Component Unit
Governmental Activities	Business-type Activities	Total		Wisconsin Connections Academy
		2013	2012	
\$ (81,789,743)	\$ -	\$ (81,789,743)	\$ (82,358,546)	\$ -
(58,867,188)	-	(58,867,188)	(48,986,438)	-
(1,788,487)	-	(1,788,487)	(1,682,681)	-
(3,340,136)	-	(3,340,136)	(3,013,083)	-
(4,269,441)	-	(4,269,441)	(3,663,428)	-
<u>(150,054,995)</u>	<u>-</u>	<u>(150,054,995)</u>	<u>(139,704,176)</u>	<u>-</u>
-	327,539	327,539	200,379	-
-	(1,147,214)	(1,147,214)	(1,244,346)	-
-	<u>(819,675)</u>	<u>(819,675)</u>	<u>(1,043,967)</u>	<u>-</u>
-	-	-	-	(1,372)
<u>(150,054,995)</u>	<u>(819,675)</u>	<u>(150,874,670)</u>	<u>(140,748,143)</u>	<u>(1,372)</u>
56,449,162	-	56,449,162	55,507,188	-
5,058,124	-	5,058,124	6,709,900	-
310,000	-	310,000	960,000	-
-	1,467,000	1,467,000	1,335,000	-
3,624	-	3,624	3,859	-
74,843,881	-	74,843,881	74,431,419	-
16,670	-	16,670	17,760	48
587,000	-	587,000	1,631,157	-
681,041	-	681,041	968,029	4,226
<u>137,949,502</u>	<u>1,467,000</u>	<u>139,416,502</u>	<u>141,564,312</u>	<u>4,274</u>
(12,105,493)	647,325	(11,458,168)	816,169	2,902
(276,772)	-	(276,772)	-	-
<u>25,187,770</u>	<u>2,653,054</u>	<u>27,840,824</u>	<u>27,024,655</u>	<u>34,865</u>
<u>\$ 12,805,505</u>	<u>\$ 3,300,379</u>	<u>\$ 16,105,884</u>	<u>\$ 27,840,824</u>	<u>\$ 37,767</u>

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2013	2012
ASSETS				
Cash and investments	\$ 21,145,736	\$ 3,659,871	\$ 24,805,607	\$ 22,707,310
Receivables				
Taxes	13,732,846	-	13,732,846	14,840,158
Accounts	680,235	-	680,235	692,669
Due from other funds	17,816	875,722	893,538	977,047
Due from other governments	3,734,047	10,659	3,744,706	5,282,815
Prepaid items	-	-	-	109,980
TOTAL ASSETS	\$ 39,310,680	\$ 4,546,252	\$ 43,856,932	\$ 44,609,979
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,242,095	\$ 61,404	\$ 1,303,499	\$ 1,453,322
Accrued payroll liabilities	17,107,261	-	17,107,261	17,332,488
Due to other funds	3,022,435	17,816	3,040,251	2,441,487
Unearned revenues	2,400	-	2,400	324,693
Total Liabilities	21,374,191	79,220	21,453,411	21,551,990
Fund Balances				
Nonspendable	-	35,160	35,160	145,140
Restricted	-	4,431,872	4,431,872	4,810,304
Assigned	11,427,649	-	11,427,649	10,960,729
Unassigned	6,508,840	-	6,508,840	7,141,816
Total Fund Balances	17,936,489	4,467,032	22,403,521	23,057,989
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,310,680	\$ 4,546,252	\$ 43,856,932	\$ 44,609,979

(Continued)

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2013

(With summarized financial information as of June 30, 2012)

	2013	2012
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown on the previous page	\$ 22,403,521	\$ 23,057,989
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 in the funds.	71,973,979	75,661,866
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (32,430,000)	
Early retirement incentive payable	(15,598)	
Post-employment health benefits payable	(43,587,070)	
Compensated absences	(5,499,529)	
Accrued interest on long-term obligations	(350,992)	
Loss on advance refunding	960,552	
Bond premium	(649,358)	
	(81,571,995)	(73,532,085)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 12)	\$ 12,805,505	\$ 25,187,770

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2013
 (With summarized financial information for the year ended June 30, 2012)

	General	Other Governmental Funds	Total Governmental Funds	
			2013	2012
Revenues				
Property taxes	\$ 56,449,162	\$ 5,368,124	\$ 61,817,286	\$ 63,177,088
Other local sources	1,022,346	336,645	1,358,991	2,414,548
Interdistrict sources	7,987,932	-	7,987,932	7,482,850
Intermediate sources	21,513	-	21,513	1,969
State sources	83,326,129	-	83,326,129	82,727,462
Federal sources	9,232,647	31,042	9,263,689	12,000,560
Other sources	331,787	175,230	507,017	788,898
Total Revenues	158,371,516	5,911,041	164,282,557	168,593,375
Expenditures				
Instruction				
Regular instruction	64,992,409	241,172	65,233,581	65,163,969
Vocational instruction	3,586,713	4,900	3,591,613	3,498,255
Special education instruction	21,282,763	-	21,282,763	19,846,285
Other instruction	11,172,368	20,783	11,193,151	11,559,460
Total Instruction	101,034,253	266,855	101,301,108	100,067,969
Support Services				
Pupil services	8,268,401	-	8,268,401	8,459,036
Instructional staff services	7,022,919	33,632	7,056,551	6,954,456
General administration services	982,930	-	982,930	1,080,855
School administration services	8,060,578	-	8,060,578	8,077,385
Business services	1,015,620	-	1,015,620	962,350
Operations and maintenance of plant	15,092,884	650,351	15,743,235	17,276,715
Pupil transportation services	4,139,534	2,065	4,141,599	3,915,341
Central services	3,706,716	2,754,064	6,460,780	4,220,280
Insurance	946,101	-	946,101	946,633
Other support services	4,983,473	-	4,983,473	6,006,387
Total Support Services	54,219,156	3,440,112	57,659,268	57,899,438
Debt Service				
Principal	169,135	3,985,000	4,154,135	5,486,817
Interest	44,515	1,390,851	1,435,366	1,772,877
Total Debt Service	213,650	5,375,851	5,589,501	7,259,694
Non-program				
General tuition payments	2,934,026	-	2,934,026	2,837,884
Special education tuition payments	379,488	-	379,488	131,664
Adjustments and refunds	41,004	-	41,004	59,802
Total Non-program	3,354,518	-	3,354,518	3,029,350
Total Expenditures	158,821,577	9,082,818	167,904,395	168,256,451
Excess of Revenues Over (Under) Expenditures	(450,061)	(3,171,777)	(3,621,838)	336,924
Other Financing Sources (Uses)				
Debt refinancing expenditure	-	(13,268,763)	(13,268,763)	-
Long-term debt issued	-	15,925,000	15,925,000	-
Premium and accrued interest from debt refinancing	-	137,108	137,108	-
Sale of capital assets	174,025	-	174,025	178,984
Transfers in	-	-	-	124,851
Transfers out	-	-	-	(124,851)
Total Other Financing Sources (Uses)	174,025	2,793,345	2,967,370	178,984
Net Change in Fund Balances	(276,036)	(378,432)	(654,468)	515,908
Fund Balances - July 1	18,212,525	4,845,464	23,057,989	22,542,081
Fund Balances - June 30	\$ 17,936,489	\$ 4,467,032	\$ 22,403,521	\$ 23,057,989

(Continued)

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2013
 (With summarized financial information for the year ended June 30, 2012)

<u>Reconciliation to the Statement of Activities</u>	2013	2012
Net Change in Fund Balances from previous page	\$ (654,468)	\$ 515,908
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 their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 1,327,435	
Depreciation expense reported in the statement of activities	<u>(4,270,035)</u>	
Amount in which depreciation is less (greater) than capital outlays	(2,942,600)	(145,719)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.	(745,287)	-
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) by:	(8,939,942)	(5,583,146)
Some capital assets acquired and debt retired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:	(15,925,000)	-
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments is:	16,058,270	5,647,897
Certain refinancing transactions are recorded in the governmental funds as expenditures and other financing uses, but the refinancing cost are amortized over the life of the new issue on the statement of activities.	960,552	-
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	154,833	69,752
Bond premiums are reported in the governmental funds as a revenue. In the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	<u>(71,851)</u>	<u>20,444</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13-14)	<u>\$ (12,105,493)</u>	<u>\$ 525,136</u>

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Statement of Net Position

Nonmajor Proprietary Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	2013	2012
ASSETS				
Current Assets				
Cash and investments	\$ 8,136	\$ -	\$ 8,136	\$ 14,644
Receivables				
Accounts	-	20,452	20,452	21,135
Due from other funds	1,133,212	1,013,501	2,146,713	1,464,440
Due from other governments	427,075	-	427,075	534,758
Capital Assets				
Buildings	-	1,134,026	1,134,026	1,134,026
Machinery and equipment	898,426	-	898,426	675,586
Less accumulated depreciation	(632,655)	(192,070)	(824,725)	(739,331)
TOTAL ASSETS	1,834,194	1,975,909	3,810,103	3,105,258
LIABILITIES				
Current Liabilities				
Accounts payable	352,296	76,116	428,412	374,201
Unearned revenues	81,312	-	81,312	78,003
TOTAL LIABILITIES	433,608	76,116	509,724	452,204
NET POSITION				
Net investment in capital assets	265,771	941,956	1,207,727	1,070,281
Restricted	1,134,815	957,837	2,092,652	1,582,773
TOTAL NET POSITION	\$ 1,400,586	\$ 1,899,793	\$ 3,300,379	\$ 2,653,054

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Statement of Revenues, Expenses and Changes in Net Position
 Nonmajor Proprietary Funds
 For the Year Ended June 30, 2013
 (With summarized financial information for the year ended June 30, 2012)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	Total Nonmajor Proprietary Funds	
			2013	2012
Operating Revenues				
Property taxes	\$ -	\$ 1,467,000	\$ 1,467,000	\$ 1,335,000
Food sales	2,144,183	-	2,144,183	2,295,489
Other local sources	-	187,242	187,242	216,318
State sources	114,715	-	114,715	102,997
Federal sources	3,430,170	-	3,430,170	3,440,137
Other sources	252,095	-	252,095	279,840
Total Operating Revenues	5,941,163	1,654,242	7,595,405	7,669,781
Operating Expenses				
Salaries, wages and benefits	-	319,611	319,611	231,656
Purchased services	2,238,997	832,605	3,071,602	3,422,192
Supplies and materials	3,306,784	127,457	3,434,241	3,621,926
Other	37,232	-	37,232	30,672
Depreciation	30,611	54,783	85,394	72,302
Total Operating Expenses	5,613,624	1,334,456	6,948,080	7,378,748
Change in Net Position	327,539	319,786	647,325	291,033
Net Position - July 1	1,073,047	1,580,007	2,653,054	2,362,021
Net Position - June 30	\$ 1,400,586	\$ 1,899,793	\$ 3,300,379	\$ 2,653,054

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	2013	2012
Cash Flows from Operating Activities				
Cash received from user charges	\$ 2,396,278	\$ 1,654,925	\$ 4,051,203	\$ 4,116,300
Cash received from other government payments	3,652,568	-	3,652,568	3,111,957
Cash paid to other funds	(267,552)	(414,721)	(682,273)	(170,189)
Cash payments to employees	-	(319,611)	(319,611)	(231,656)
Cash payments to suppliers	(5,564,962)	(920,593)	(6,485,555)	(6,940,745)
Net Cash Provided by (Used in) Operating Activities	216,332	-	216,332	(114,333)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(222,840)	-	(222,840)	(38,400)
Net Change in Cash and Investments	(6,508)	-	(6,508)	(152,733)
Cash and Investments - July 1	14,644	-	14,644	167,377
Cash and Investments - June 30	\$ 8,136	\$ -	\$ 8,136	\$ 14,644
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 327,539	\$ 319,786	\$ 647,325	\$ 291,033
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	30,611	54,783	85,394	72,302
Changes in assets and liabilities:				
Accounts receivable	-	683	683	(10,347)
Due from other funds	(267,552)	(414,721)	(682,273)	(170,189)
Due from other governments	107,683	-	107,683	(431,177)
Accounts payable	14,742	39,469	54,211	123,238
Unearned revenues	3,309	-	3,309	10,807
Net Cash Provided by (Used in) Operating Activities	\$ 216,332	\$ -	\$ 216,332	\$ (114,333)
Noncash Noncapital Financing Activities:				
Commodities Received From U.S. Department of Agriculture	\$ 344,556	\$ -	\$ 344,556	\$ 296,730

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin
Statement of Net Position
Fiduciary Funds
June 30, 2013

(With summarized financial information as of June 30, 2012)

	Private Purpose Trust Fund	Agency Funds	Total Fiduciary Funds	
			2013	2012
ASSETS				
Cash and cash equivalents	\$ 128,934	\$ 1,862,795	\$ 1,991,729	\$ 1,850,275
LIABILITIES				
Due to student organizations	-	1,862,795	1,862,795	1,707,520
NET POSITION				
Restricted for Scholarships	\$ 128,934	\$ -	\$ 128,934	\$ 142,755

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Statement of Changes in Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2013
 (With summarized financial information for the year ended June 30, 2012)

	Private Purpose Trust Fund	
	2013	2012
ADDITIONS		
Other local sources	\$ 2,881	\$ 9,751
DEDUCTIONS		
Trust fund disbursements	16,702	5,100
Change in Net Position	(13,821)	4,651
Net Position - July 1	142,755	138,104
Net Position - June 30	<u>\$ 128,934</u>	<u>\$ 142,755</u>

The notes to the basic financial statements are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Appleton Area School District ("the District"), Appleton, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

1. Reporting Entity

The Appleton Area School District is organized as a unified school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of seven taxing districts. In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Discretely presented component unit

The component unit column on the government-wide financial statements represents the financial data of Wisconsin Connections Academy. It is reported in a separate column to emphasize that the entity is legally separate from the District.

Wisconsin Connections Academy is a not-for-profit organization established under the laws of the State of Wisconsin. The purpose of the Organization is to give students access to an innovative way of learning through a virtual school.

The above entity is included because its operations are controlled by District personnel and they provide services exclusively to students of the District. The financial information presented is for the fiscal year ended June 30, 2013. Complete financial statements for Wisconsin Connections Academy can be obtained from their office at 120 East Harris St. Appleton, WI 54911.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds and nonmajor individual enterprise funds are reported as separate columns in the fund financial statements.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports the following major governmental fund:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial activity that is not accounted for in another fund.

The District reports the following nonmajor governmental funds:

SPECIAL REVENUE FUNDS

These funds are used to account for third party donations to trust and resources restricted to direct funded federal programs.

DEBT SERVICE FUNDS

These funds are used to account for financial resources for, and the payment of, general long-term debt principal, interest and related costs.

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports no major proprietary funds. The District uses enterprise funds to account for transactions of the Food Service and General Community Service funds.

The District accounts for resources legally held in trust for scholarship awards as a private-purpose trust fund. Only earnings on the invested resources may be used to support the scholarships.

The District accounts for assets held as an agent for various student and parent organizations in an agency fund.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs and claims and judgments, are recorded only when payment is due.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with original maturities of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

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

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Capital Assets

Capital assets, which include property, plant and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	Governmental	Business-type
	Activities	Activities
	Years	
Buildings and improvements	20 - 50	20 - 50
Machinery and equipment	5 - 20	15

f. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, the secretaries, custodians, educational assistants and administrative support groups are entitled to the unused portion which is used to pay their group health insurance until the vested amount is exhausted. The District's employees also are granted vacation in varying amounts based on length of service. All vacation and sick leave is accrued when incurred in the district-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently reports the deferred charge on refunding in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 currently does not have any items that qualify for reporting in this category.

h. Long-term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are expensed during the current period.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received 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.

i. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE AND PROPRIETARY FUND STATEMENTS

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$26,805,472 on June 30, 2013 as summarized below:

Petty cash funds	\$ 3,202
Deposits with financial institutions	25,518,416
Investments	
Wisconsin investment series cooperative	1,283,854
	\$ 26,805,472

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 24,813,743
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	128,934
Agency funds	1,862,795
	\$ 26,805,472

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will 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 credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2013, \$24,088,510 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. Of this amount, \$22,815,885 was collateralized with securities held by the pledging financial institution, but not in the name of the District.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy.

Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aaa	Not Rated
Wisconsin Investment Series					
Cooperative	\$ 1,283,854	\$ -	\$ -	\$ -	\$ 1,283,854

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, 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 to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin Investment Series Cooperative	\$ 1,283,854	\$ 1,283,854	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$1,283,854 at year end consisting of \$1,283,854 invested in the Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,286,828	\$ -	\$ 693,823	\$ 7,593,005
Capital assets, being depreciated:				
Buildings and improvements	117,170,061	277,668	-	117,447,729
Machinery and equipment	24,799,863	1,049,767	2,184,258	23,665,372
Subtotals	141,969,924	1,327,435	2,184,258	141,113,101
Less accumulated depreciation for:				
Buildings and improvements	53,088,443	2,831,785	-	55,920,228
Machinery and equipment	21,506,443	1,438,250	2,132,794	20,811,899
Subtotals	74,594,886	4,270,035	2,132,794	76,732,127
Total capital assets, being depreciated, net	67,375,038	(2,942,600)	51,464	64,380,974
Governmental activities capital assets, net	<u>\$ 75,661,866</u>	<u>\$ (2,942,600)</u>	<u>\$ 745,287</u>	71,973,979
Less related long-term debt outstanding (net of deferred outflows of \$960,552)				<u>(24,199,448)</u>
Net investment in capital assets				<u>\$ 47,774,531</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Buildings	\$ 1,134,026	\$ -	\$ -	\$ 1,134,026
Machinery and equipment	675,586	222,840	-	898,426
Subtotals	1,809,612	222,840	-	2,032,452
Less accumulated depreciation for:				
Buildings	137,287	54,783	-	192,070
Machinery and equipment	602,044	30,611	-	632,655
Subtotals	739,331	85,394	-	824,725
Business-type activities capital assets, net	<u>\$ 1,070,281</u>	<u>\$ 137,446</u>	<u>\$ -</u>	<u>\$ 1,207,727</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable, Payables and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 17,816	\$ 3,022,435
Special Revenue Funds		
Trust	344,414	-
Indian education	-	10,536
Capital Projects Funds		
Capital expansion	531,308	-
Other capital projects	-	7,280
Enterprise Funds		
Food service	1,133,212	-
General community service	1,013,501	-
Totals	\$ 3,040,251	\$ 3,040,251

5. Short-term Debt

The District issued tax anticipation notes in advance of property tax collections and state aid. The notes are needed because payments for the year begin in July whereas the final tax collection is received from the County the following year in August and state aid begins in December. Short-term debt activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Taxable tax anticipation notes	\$ -	\$ 21,800,000	\$ 21,800,000	\$ -

Total interest paid during the year on short-term debt totaled \$35,658.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

6. Leases
 OPERATING LEASES

The District leases office space and various equipment under long-term operating leases. Following is a schedule, by years, of future minimum rental payments required under long-term operating leases:

Year Ending June 30,	Amount
2014	\$ 227,443
2015	170,470
2016	88,539
2017	2,138
	<u>\$ 488,590</u>

Rent expense under all operating leases for the year ended June 30, 2013 amounted to \$491,991.

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2013:

	Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13	Amount Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 27,360,000	\$ 13,175,000	\$ 15,195,000	\$ 25,340,000	\$ 3,630,000
Notes	4,865,000	2,750,000	525,000	7,090,000	550,000
Total General Obligation Debt	32,225,000	15,925,000	15,720,000	32,430,000	4,180,000
Bond premium	577,507	137,108	65,257	649,358	57,735
TEACH loan	338,270	-	338,270	-	-
Early retirement incentive payable	81,260	-	65,662	15,598	15,598
Post-employment health benefits payable	34,504,442	14,497,786	5,415,158	43,587,070	4,634,454
Compensated absences	5,576,553	575,157	652,181	5,499,529	518,681
Governmental activities Long-term obligations	<u>\$ 73,303,032</u>	<u>\$ 31,135,051</u>	<u>\$ 22,256,528</u>	<u>\$ 82,181,555</u>	<u>\$ 9,406,468</u>

Total interest paid during the year on long-term debt totaled \$1,687,237.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$10,650,000 issued 10/15/03; \$775,000 to \$845,000 due annually through 2015; interest 2.25% to 5.55%	\$ 1,620,000
\$8,610,000 issued 4/1/05; \$640,000 to \$770,000 due annually through 2018; interest 3.25% to 4.625%	3,500,000
\$16,860,000 issued 7/1/05; \$805,000 to \$1,650,000 due annually through 2020; interest 3.0% to 4.375%	6,140,000
\$4,265,000 issued 3/3/08; \$310,000 to \$365,000 due annually through 2018; interest 3.0% to 3.75%	1,690,000
\$1,140,000 issued 4/28/08; \$100,000 due annually through 2015; interest 3.1% to 4.6%	200,000
\$7,135,000 issued 7/16/12; \$85,000 to \$1,160,000 due annually through 2025; interest 2.0% to 2.3%	7,070,000
\$6,040,000 issued 7/16/12; \$590,000 to \$915,000 due annually through 2020; interest 1.25%-1.8%	5,120,000

Notes

\$1,370,000 issued 6/15/04; \$165,000 due in 2014; interest 2.0% to 4.45%	165,000
\$1,000,000 issued 10/01/07; \$140,000 to \$165,000 due annually through 2017; interest 4.0% to 4.25%	610,000
\$2,000,000 issued 4/28/08; \$245,000 to \$285,000 due annually through 2018; interest 3.0% to 4.45%	1,315,000
\$2,250,000 issued 8/30/10; \$155,000 to \$635,000 due annually through 2020; interest 4.40%	2,250,000
\$2,750,000 issued 7/16/12; \$1,360,000 due in 2021 and \$1,390,000 due in 2022 interest 2.0% to 2.25%	<u>2,750,000</u>

Total Outstanding General Obligation Debt \$ 32,430,000

Annual principal and interest maturities of the outstanding general obligation debt of \$32,430,000 on June 30, 2013 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,180,000	\$ 1,067,479	\$ 5,247,479
2015	4,345,000	909,724	5,254,724
2016	3,275,000	750,300	4,025,300
2017	2,745,000	634,309	3,379,309
2018	2,760,000	551,963	3,311,963
2019-2023	12,825,000	1,259,750	14,084,750
2024-2025	2,300,000	78,440	2,378,440
	<u>\$ 32,430,000</u>	<u>\$ 5,251,965</u>	<u>\$ 37,681,965</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Qualified School Construction Bonds

The general obligation notes issued on August 30, 2010 are Qualified School Construction Bonds, as described in Section 54Fd of the Internal Revenue Code. The interest on debt is taxable as set forth in the regulations. The district is eligible to receive a 100% subsidy of the annual interest payment from the federal government. In order to receive this subsidy it is necessary for the District to file a claim annually.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2013 was \$658,030,630 as follows:

Equalized valuation of the District		\$ 6,872,152,659	
Statutory limitation percentage		(x) 10%	
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes			687,215,266
Total outstanding general obligation debt applicable to debt limitation	\$ 32,430,000		
Less: Amounts available for financing general obligation debt			
Debt service funds		3,253,364	
Net outstanding general obligation debt applicable to debt limitation			29,176,636
Legal Margin for New Debt			\$ 658,038,630

Early Retirement Program

In addition to the retirement plan described in Note D.1, the District offers an early retirement program for teachers and administrators whose age and years of service total at least 70 years. Under the program, eligible teachers and administrators who retire at an age of at least 55 are entitled to receive a percentage of their final year's salary during each year of retirement until the available benefit is exhausted. At June 30, 2013, there were 4 participants in the program and a liability of \$15,598 had been recorded in the district-wide financial statements as an estimate of future payments under the Plan.

Advance Refunding

During 2012-2013, the District issued \$13,175,000 of General Obligation Refunding Bonds to defease a portion of the 2003 and 2005 General Obligation Bonds. This transaction reduced future debt service payments by \$1,507,960 and provides an economic gain (difference between the present value of the defeased bonds and refunding bonds) of \$1,188,023.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

8. Fund Equity

Fund Statements

In the fund financial statements, portions of governmental fund balances are not available for expenditure. At June 30, 2013, nonspendable fund balance was as follows:

Trust Fund	
Legally required to remain intact	<u>\$ 35,160</u>

Also in the fund financial statements, portions of governmental fund balances have been restricted to represent constraints placed by external parties or through constitutional provisions or enabling legislation. At June 30, 2013, fund balance restricted was as follows:

Trust Fund	
Scholarships	\$ 351,210
Debt Service Funds	
Retirement of long-term debt	3,604,356
Capital Expansion Fund	
Capital Projects	<u>476,306</u>
	<u>\$ 4,431,872</u>

Also in the fund financial statements, portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2013, fund balance assigned was as follow:

General Fund	
Retiree health insurance	<u>\$ 11,427,649</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

9. Component Unit

This report contains Wisconsin Connections Academy, which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements, which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

Wisconsin Connections Academy follows the modified accrual basis of accounting and the flow of current financial resources measurement focus.

b. Deposits and Investments

At year-end, the carrying amount of Wisconsin Connections Academy's deposits was \$37,767 and the bank balance was \$37,767. The entire bank balance was covered by federal and state depository insurance.

NOTE C - OTHER INFORMATION

1. Retirement Commitments

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective 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. Contribution rates are as follows:

	2012		2013	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%	6.65%	6.65%
Executives & Elected Officials	7.05%	7.05%	7.0%	7.0%
Protective with Social Security	5.9%	9.0%	6.65%	9.75%
Protective without Social Security	5.9%	11.3%	6.65%	12.35%

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended December 31, 2012 was \$85,139,849; the employer's total payroll was \$88,783,014. The total required contribution for the year ended December 31, 2012 was \$10,046,502, which consisted of \$5,023,251 or 5.9% of covered payroll from the employer and \$5,023,251 or 5.9% of covered payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were \$9,990,998 and \$9,254,022, respectively, equal to the required contributions for each year.

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

2. Postemployment Benefits Other Than Pension Benefits

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2011, the date of the latest actuarial valuation, was 1,610 active and 293 retired employees receiving benefits.

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plans. Employees of the District are eligible for the Plan if they meet the following age and service requirements.

Union/Group	Eligibility		District Contribution
	Age	Service	
Teachers (Retiring after July 1, 2007) and Administrators hired after May 1, 2011	55	3	100% of health plus any increases occurring during the first 96 months for the plan the teacher was enrolled in at the time of retirement. The District will pay one year's premium for every three years of service in the District, up to a maximum of 10 years or until age 65, whichever is sooner.
Teachers (Retiring before June 30, 2007)	55	3	The District shall pay health insurance premiums for up to five years or age 65, whichever is sooner, for any teacher who voluntarily retires pursuant to the Teacher Emeritus Program, in addition to the benefits above. Retirees may continue in the plan by paying 100% of the premium.
Administrators (Retiring after July 1, 2007) hired before May 1, 2011	55	20	100% of health for the plan the administrator was enrolled in at the time of retirement according to the following schedule: less than 10 years of service will equal 2 years of premiums; 11-15 of service will equal 3 years of premiums; 16-19 years of service will equal 4 years of premiums; 20 years and more will equal 5 years of premiums. Retirees may continue in the plan by paying 100% of the premium.
Administrators (Retiring before June 30, 2007)	55	20	95% of health, up to a maximum of 10 years or until age 65, whichever is sooner.
Secretary/Clerical	55	10	100% of health, according to the following schedule: 10 - 14 years of service will equal 1.5 years of single or 1 year of family premiums; 15 - 19 years of service will equal 1.75 years of single or 1.25 years of family premiums; 20 years and more of service will equal 3 years of single or 2 years of family premiums. Retirees may continue in the plan by paying 100% of the premium.

(Continued)

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

Union/Group	Eligibility		District Contribution
	Age	Service	
Maintenance	55	10	95% of health, according to the following schedule: 10 - 14 years of service will equal 1.5 years of single or 1 year of family premiums; 15 - 19 years of service will equal 1.75 years of single or 1.25 years of family premiums; 19 years and more of service will equal 3 years of single or 2 years of family premiums. Retirees may continue in the plan by paying 100% of the premium.
Para-Professionals	55	10	100% of health, according to the following schedule: 10 - 14 years of service will equal 1 year of single or 0.5 year of family premiums; 15 - 20 years of service will equal 1.33 years of single or 0.67 years of family premiums; 20 years and more of service will equal 2 years of single or 1 years of family premiums. Retirees may continue in the plan by paying 100% of the premium.
Administrative Support Unit	55	9	100% of health, according to the following schedule: 9 - 10 years of service will equal 2 years of premiums; 11 - 15 years of service will equal 3 years of premiums; 16 - 20 years of service will equal 4 years of premiums; 20 years and more of service will equal 5 years of premiums. Retirees may continue in the plan by paying 100% of the premium.

b. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Component	Amount
Annual required contribution	\$ 15,187,566
Interest on net OPEB	1,210,238
Adjustment to annual required contribution	(1,900,018)
Annual OPEB cost (expense)	14,497,786
Contributions made	5,415,158
Change in net OPEB obligation	9,082,628
OPEB obligation - beginning of year	34,504,442
OPEB obligation - end of year	<u>\$ 43,587,070</u>

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of the valuation and on the historical pattern of sharing of costs between the employer and plan members to that point.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

Actuarial calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used may include techniques that are designed to reduce short-term volatility in Actuarial Accrued Liability and Actuarial Value of Assets. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2011
Actuarial cost method	Unit Credit Actuarial
Amortization method	Level Dollar Amortization
Remaining amortization period	30
Actuarial assumptions:	
Investment rate of return	3.25%
Healthcare cost trend rate	3.50% initial 4.7% ultimate

Trend Information - The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 11,651,000	41.9%	\$ 28,614,079
6/30/2012	\$ 14,050,000	38.6%	\$ 37,238,079
6/30/2013	\$ 14,497,786	37.4%	\$ 43,587,070

c. **Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2007	\$ -	\$ 107,403,000	0.00%	\$ 107,403,000	N/A	N/A
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and 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 or results of operations.

5. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

a. A resolution of the school board or by referendum prior to August 12, 1993.

b. A referendum on or after August 12, 1993.

6. Report on Summarized Financial Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

7. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended June 30, 2012 have not been restated. The cumulative effect of this change was to decrease the June 30, 2013 net position of the governmental activities by \$276,772.

REQUIRED SUPPLEMENTARY INFORMATION

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 56,449,162	\$ 56,449,162	\$ 56,449,162	\$ -
Other local sources	1,017,060	1,017,060	1,009,785	(7,275)
Interdistrict sources	7,320,000	7,320,000	7,965,332	645,332
State sources	77,297,951	77,297,951	77,136,638	(161,313)
Federal sources	3,182,372	3,182,372	4,687,706	1,505,334
Other sources	255,000	255,000	331,787	76,787
Total Revenues	145,521,545	145,521,545	147,580,410	2,058,865
Expenditures				
Instruction				
Regular instruction	67,821,190	67,821,190	64,991,568	2,829,622
Vocational instruction	3,416,690	3,416,690	3,472,695	(56,005)
Other instruction	11,263,869	11,263,869	11,083,915	179,954
Total Instruction	82,501,749	82,501,749	79,548,178	2,953,571
Support Services				
Pupil services	3,663,825	3,663,825	4,457,820	(793,995)
Instructional staff services	4,965,636	4,965,636	6,213,095	(1,247,459)
General administration services	1,146,357	1,146,357	982,731	163,626
School administration services	7,999,375	7,999,375	8,060,578	(61,203)
Business services	1,005,943	1,005,943	977,830	28,113
Operations and maintenance of plant	14,615,246	14,615,246	15,072,842	(457,596)
Pupil transportation services	2,230,851	2,230,851	2,414,010	(183,159)
Central services	3,557,993	3,557,993	3,699,863	(141,870)
Insurance	950,000	950,000	946,101	3,899
Other support services	5,348,306	5,348,306	4,983,473	364,833
Total Support Services	45,483,532	45,483,532	47,808,343	(2,324,811)
Debt Service				
Principal	169,135	169,135	169,135	-
Interest	59,957	59,957	44,515	15,442
Total Debt Service	229,092	229,092	213,650	15,442
Non-program				
General tuition payments	2,803,292	2,803,292	2,934,026	(130,734)
Adjustments and refunds	51,900	51,900	41,004	10,896
Total Non-program	2,855,192	2,855,192	2,975,030	(119,838)
Total Expenditures	131,069,565	131,069,565	130,545,201	524,364
Excess of Revenues Over Expenditures	14,451,980	14,451,980	17,035,209	2,583,229
Other Financing Sources (Uses)				
Sale of capital assets	184,000	184,000	174,025	(9,975)
Transfers out	(17,678,709)	(17,678,709)	(17,485,270)	193,439
Total Other Financing Sources (Uses)	(17,494,709)	(17,494,709)	(17,311,245)	183,464
Net Change in Fund Balance	(3,042,729)	(3,042,729)	(276,036)	2,766,693
Fund Balance - July 1	18,212,525	18,212,525	18,212,525	-
Fund Balance - June 30	\$ 15,169,796	\$ 15,169,796	\$ 17,936,489	\$ 2,766,693

The notes to the required supplementary information are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Special Education Special Revenue Fund - Budgetary Basis
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other local sources	\$ -	\$ -	\$ 12,561	\$ 12,561
Interdistrict sources	25,000	25,000	22,600	(2,400)
Intermediate sources	-	-	21,513	21,513
State sources	5,839,958	5,839,958	6,189,491	349,533
Federal sources	3,742,840	3,742,840	4,544,941	802,101
Total Revenues	9,607,798	9,607,798	10,791,106	1,183,308
Expenditures				
Instruction				
Regular instruction	807	807	841	(34)
Vocational instruction	194,599	194,599	114,018	80,581
Special education instruction	21,047,076	21,047,076	21,282,763	(235,687)
Other instruction	103,167	103,167	88,453	14,714
Total Instruction	21,345,649	21,345,649	21,486,075	(140,426)
Support Services				
Pupil services	3,474,051	3,474,051	3,810,581	(336,530)
Instructional staff services	816,907	816,907	809,824	7,083
General administration services	200	200	199	1
Business services	33,855	33,855	37,790	(3,935)
Operations and maintenance of plant	13,145	13,145	20,042	(6,897)
Pupil transportation services	1,526,530	1,526,530	1,725,524	(198,994)
Central services	7,700	7,700	6,853	847
Total Support Services	5,872,388	5,872,388	6,410,813	(538,425)
Non-program				
Special education tuition payments	68,471	68,471	379,488	(311,017)
Total Expenditures	27,286,508	27,286,508	28,276,376	(989,868)
Excess of Revenues Over (Under)				
Expenditures	(17,678,710)	(17,678,710)	(17,485,270)	193,440
Other Financing Sources				
Transfers in	17,678,709	17,678,709	17,485,270	(193,439)
Net Change in Fund Balance	(1)	(1)	-	1
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ (1)	\$ (1)	\$ -	\$ 1

The notes to the required supplementary information are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Employer Contributions
 Other Post-Employment Benefit Plan
 For the Year Ended June 30, 2013

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 4,409,317	\$ 11,651,000	37.84%
2009	4,459,098	11,651,000	38.27%
2010	4,241,008	11,651,000	36.40%
2011	4,880,498	11,651,000	41.89%
2012	5,760,637	11,651,000	49.44%
2013	5,415,158	15,187,566	35.66%

The notes to the required supplementary information are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Funding Progress
 Other Post-Employment Benefit Plan
 For the Year Ended June 30, 2013

Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2007	\$ -	\$ 107,403,000	0.00%	\$ 107,403,000	N/A	N/A
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A

The notes to the required supplementary information are an integral part of this statement.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" for the fiscal year ended June 30, 2008. Information for prior years is not available.

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements.

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is not formally used by the District.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2013.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Required Supplementary Information
 For the Year Ended June 30, 2013

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 147,580,410	\$ 10,791,106
Reclassification of special education	10,791,106	(10,791,106)
Total Revenues	<u>158,371,516</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	130,545,201	28,276,376
Reclassification of special education	28,276,376	(28,276,376)
Total Expenditures	<u>158,821,577</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	17,035,209	(17,485,270)
Reclassification of special education	(17,485,270)	17,485,270
Excess of Revenues Over (Under) Expenditures	<u>(450,061)</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(17,311,245)	17,485,270
Reclassification of special education	17,485,270	(17,485,270)
Total Other Financing Sources (Uses)	<u>174,025</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>(276,036)</u>	<u>-</u>
Fund Balance - January 1		
Actual amounts (budgetary basis)	<u>18,212,525</u>	<u>-</u>
Fund Balance - December 31		
Actual amounts (budgetary basis)	<u>\$ 17,936,489</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Special Revenue Funds		Debt Service Funds	
	Trust Fund	Indian Education Fund	Non-Referendum Debt Service Fund	Referendum Debt Service Fund
ASSETS				
Cash and investments	\$ 42,950	\$ -	\$ 153,659	\$ 3,450,697
Receivables				
Accounts	-	-	-	-
Due from other funds	344,414	-	-	-
Due from other governments	-	10,659	-	-
TOTAL ASSETS	<u>\$ 387,364</u>	<u>\$ 10,659</u>	<u>\$ 153,659</u>	<u>\$ 3,450,697</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 994	\$ 123	\$ -	\$ -
Due to other funds	-	10,536	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>994</u>	<u>10,659</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	35,160	-	-	-
Restricted	351,210	-	153,659	3,450,697
Total Fund Balances	<u>386,370</u>	<u>-</u>	<u>153,659</u>	<u>3,450,697</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 387,364</u>	<u>\$ 10,659</u>	<u>\$ 153,659</u>	<u>\$ 3,450,697</u>

Capital Project Funds		Total Nonmajor Governmental Funds	
Other Capital Projects Fund	Capital Expansion Fund	2013	2012
\$ 7,280	\$ 5,285	\$ 3,659,871	\$ 4,362,108
-	-	-	4,277
-	531,308	875,722	974,909
-	-	10,659	2,138
<u>\$ 7,280</u>	<u>\$ 536,593</u>	<u>\$ 4,546,252</u>	<u>\$ 5,343,432</u>

\$ -	\$ 60,287	\$ 61,404	\$ 135,504
7,280	-	17,816	42,164
-	-	-	320,300
<u>7,280</u>	<u>60,287</u>	<u>79,220</u>	<u>497,968</u>

-	-	35,160	35,160
-	476,306	4,431,872	4,810,304
-	476,306	4,467,032	4,845,464
<u>\$ 7,280</u>	<u>\$ 536,593</u>	<u>\$ 4,546,252</u>	<u>\$ 5,343,432</u>

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Special Revenue Funds		Debt Service Funds	
	Trust Fund	Indian Education Fund	Non-Referendum Debt Service Fund	Referendum Debt Service Fund
Revenues				
Property taxes	\$ -	\$ -	\$ 2,618,221	\$ 2,439,903
Other local sources	332,194	-	345	4,012
Federal sources	-	31,042	-	-
Other sources	76,230	-	99,000	-
Total Revenues	408,424	31,042	2,717,566	2,443,915
Expenditures				
Instruction				
Regular instruction	214,986	26,186	-	-
Vocational instruction	4,900	-	-	-
Other instruction	20,783	-	-	-
Total Instruction	240,669	26,186	-	-
Support Services				
Instructional staff services	30,612	3,020	-	-
Operations and maintenance of plant	-	-	-	-
Pupil transportation services	229	1,836	-	-
Central services	581	-	-	-
Principal	-	-	2,260,000	1,725,000
Interest	-	-	564,903	825,948
Total Support Services	31,422	4,856	2,824,903	2,550,948
Total Expenditures	272,091	31,042	2,824,903	2,550,948
Excess of Revenues Over (Under) Expenditures	136,333	-	(107,337)	(107,033)
Other Financing Sources (Uses)				
Debt refinancing expenditure	-	-	(6,076,241)	(7,192,522)
Long-term debt issued	-	-	6,040,000	7,135,000
Premium and accrued interest from debt transactions	-	-	37,401	58,689
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	1,160	1,167
Net Change in Fund Balances	136,333	-	(106,177)	(105,866)
Fund Balances - July 1	250,037	-	259,836	3,556,563
Fund Balances - June 30	\$ 386,370	\$ -	\$ 153,659	\$ 3,450,697

Capital Project Funds			Total Nonmajor Governmental Funds	
Other Capital Projects Fund	QSCB Capital Projects Fund	Capital Expansion Fund	2013	2012
\$ -	\$ -	\$ 310,000	\$ 5,368,124	\$ 7,669,900
3	90	1	336,645	415,066
-	-	-	31,042	15,895
-	-	-	175,230	99,000
3	90	310,001	5,911,041	8,199,861
-	-	-	241,172	252,641
-	-	-	4,900	7,050
-	-	-	20,783	21,167
-	-	-	266,855	280,858
-	-	-	33,632	85,325
37,538	92,953	519,860	650,351	2,165,102
-	-	-	2,065	2,009
2,753,483	-	-	2,754,064	1,490
-	-	-	3,985,000	5,325,736
-	-	-	1,390,851	1,716,451
2,791,021	92,953	519,860	8,815,963	9,296,113
2,791,021	92,953	519,860	9,082,818	9,576,971
(2,791,018)	(92,863)	(209,859)	(3,171,777)	(1,377,110)
-	-	-	(13,268,763)	-
2,750,000	-	-	15,925,000	-
41,018	-	-	137,108	-
-	-	-	-	124,851
2,791,018	-	-	2,793,345	124,851
-	(92,863)	(209,859)	(378,432)	(1,252,259)
-	92,863	686,165	4,845,464	6,097,723
\$ -	\$ -	\$ 476,306	\$ 4,467,032	\$ 4,845,464

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Pupil Activity Fund
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2013

	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
ASSETS				
Cash	\$ 1,707,520	\$ 3,867,929	\$ 3,712,654	\$ 1,862,795
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 1,177,530	\$ 2,791,459	\$ 2,663,517	\$ 1,305,472
Middle schools	173,701	383,227	388,966	167,962
Elementary schools	356,289	693,243	660,171	389,361
TOTAL LIABILITIES	\$ 1,707,520	\$ 3,867,929	\$ 3,712,654	\$ 1,862,795

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**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**

Independent Auditors' Report

To the Board of Education
Appleton Area School District, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Appleton Area School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Appleton Area School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Appleton Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Appleton Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Appleton Area School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Appleton Area School District's Response to Findings

Appleton Area School District's response to the findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Appleton Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Appleton Area School District'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 Appleton Area School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 8, 2013

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

Independent Auditors' Report

To the Board of Education
Appleton Area School District, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Appleton Area School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Appleton Area School District's major federal and state programs for the year ended June 30, 2013. Appleton Area School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Appleton Area School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit 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 state program occurred. An audit includes examining, on a test basis, evidence about Appleton Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Appleton Area School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Appleton Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the requirements referred to above that are required to be reported in accordance with OMB Circular A-133 and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-03.

Report on Internal Control Over Compliance

Management of Appleton Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Appleton Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Appleton Area School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-03 to be significant deficiencies.

Appleton Area School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. Appleton Area School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 8, 2013

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Child Nutrition Cluster</i>		
School Breakfast Program		10.553
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Donated Commodities 12-13	WI Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Summer Food Service Program for Children		10.559
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
<i>Total Child Nutrition Cluster</i>		
Fresh Fruit & Vegetable Program		
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	10.582
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Title I, Part A Cluster</i>		
Title I-A - Grants to Local Educational Agencies		84.010
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Title I-A - Grants to Local Educational Agencies - Delinquent		84.010
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Title I-A - Grants to Local Educational Agencies - Reservation		84.010
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Title I Focus School Grant		84.010
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Total Title I-A - Grants to Local Educational Agencies		
Title I-A - Grants to Local Educational Agencies - Academic Achievement, Recovery Act		84.389
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
Title I-A - Grants to Local Educational Agencies - Schools of Recognition, Recovery Act		84.389
February 25, 2011 - June 30, 2012	WI Department of Public Instruction	
Total Title I-A - Grants to Local Educational Agencies, Recovery Act		
<i>Total Title I, Part A Cluster</i>		

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/12	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Revenue	Expenditures
\$ (187,822)	\$ 187,822	\$ -	\$ -	\$ -
-	486,984	87,490	574,474	574,474
(320,863)	320,863	-	-	-
-	2,009,887	327,250	2,337,137	2,337,137
-	344,556	-	344,556	344,556
(320,863)	2,675,306	327,250	2,681,693	2,681,693
(611)	611	-	-	-
-	3,758	669	4,427	4,427
-	76,803	-	76,803	76,803
(509,296)	3,431,284	415,409	3,337,397	3,337,397
(25,462)	25,462	-	-	-
-	80,201	11,666	91,867	91,867
(534,758)	3,536,947	427,075	3,429,264	3,429,264
(1,173,809)	1,173,809	-	-	-
-	678,078	316,486	994,564	994,564
(13,531)	13,531	-	-	-
-	12,332	1,275	13,607	13,607
-	743,214	345,429	1,088,643	1,088,643
-	-	13,783	13,783	13,783
(1,187,340)	2,620,964	676,973	2,110,597	2,110,597
(42,801)	47,341	-	4,540	4,540
(67,982)	106,345	-	38,363	38,363
(110,783)	153,686	-	42,903	42,903
(1,298,123)	2,774,650	676,973	2,153,500	2,153,500

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION (Continued)		
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States - Flow Thru July 1, 2011 - June 30, 2012	WI Department of Public Instruction	84.027
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Special Education - Grants to States - Flow Thru EIS July 1, 2012 - June 30, 2013	WI Department of Public Instruction	84.027
Special Education - Grants to States - High Cost July 1, 2012 - June 30, 2013	WI Department of Public Instruction	84.027
Special Education - Grants to States - Seclusion July 1, 2012 - June 30, 2013	WI Department of Public Instruction	84.027
Total Special Education - Grants to States		
Special Education - Preschool Grants July 1, 2011 - June 30, 2012	WI Department of Public Instruction	84.173
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
<i>Total Special Education Cluster (IDEA)</i>		
Career and Technical Education - Basic Grants to States July 1, 2011 - June 30, 2012	WI Department of Public Instruction	84.048
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Indian Education - Grants to Local Educational Agencies July 1, 2011 - June 30, 2012	Direct Program	84.060A
July 1, 2012 - June 30, 2013	Direct Program	
Total Indian Education - Grants to Local Educational Agencies		
<i>Education of Homeless Children & Youth Cluster</i>		
Title VII-B - Education for Homeless Children and Youth July 1, 2011 - June 30, 2012	WI Department of Public Instruction	84.196
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
<i>Total Education of Homeless Children & Youth Cluster</i>		

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/12	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Revenue	Expenditures
(588,227)	588,227	-	-	-
-	1,877,870	684,584	2,562,454	2,562,454
-	338,737	124,603	463,340	463,340
-	525	-	525	525
-	-	8,512	8,512	8,512
(588,227)	2,805,359	817,699	3,034,831	3,034,831
(31,249)	31,249	-	-	-
-	102,733	31,947	134,680	134,680
(619,476)	2,939,341	849,646	3,169,511	3,169,511
(41,799)	41,799	-	-	-
-	84,875	24,058	108,933	108,933
(2,138)	2,138	-	-	-
-	20,383	10,659	31,042	31,042
(2,138)	22,521	10,659	31,042	31,042
(19,874)	19,874	-	-	-
-	37,663	13,310	50,973	50,973
(19,874)	57,537	13,310	50,973	50,973

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
--------------------------------------	---------------------	---------------------------

U.S. DEPARTMENT OF EDUCATION (Continued)

Charter Schools		84.282
Bilingual		
August 1, 2011 - July 31, 2012	WI Department of Public Instruction	
August 1, 2012 - July 31, 2013	WI Department of Public Instruction	
Career Academy Implementation		
August 1, 2011 - July 31, 2012	WI Department of Public Instruction	
August 1, 2012 - July 31, 2013	WI Department of Public Instruction	
United Public Montessori		
August 1, 2011 - July 31, 2012	WI Department of Public Instruction	
August 1, 2012 - July 31, 2013		
Appleton Public Montessori		
August 1, 2011 - July 31, 2012	WI Department of Public Instruction	
August 1, 2012 - July 31, 2013	WI Department of Public Instruction	
Kaleidoscope Academy Dissemination		
August 1, 2011 - July 31, 2012	WI Department of Public Instruction	
August 1, 2012 - July 31, 2013	WI Department of Public Instruction	
Total Charter Schools		
 21st Century Community Learning Centers		 84.287
Multi-School		
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Foster		
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Roosevelt		
July 1, 2011 - June 30, 2012		
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Columbus		
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Total 21st Century Community Learning Centers		

(Continued)

Accrued (Receivable) Deferred Revenue 07/01/12	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Revenue	Expenditures
--	---------------------------------	---	---------	--------------

(30,130)	30,130	-	-	-
-	124,082	28,848	152,930	152,930
(16,572)	16,572	-	-	-
-	14,692	-	14,692	14,692
(24,362)	24,362	-	-	-
-	52,224	-	52,224	52,224
(22,504)	22,504	-	-	-
-	74,478	19,035	93,513	93,513
(33,659)	33,659	-	-	-
-	129,958	42,314	172,272	172,272
(127,227)	522,661	90,197	485,631	485,631

(89,094)	89,094	-	-	-
-	501,936	58,247	560,183	560,183
(2,708)	2,708	-	-	-
-	91,167	8,833	100,000	100,000
(13,839)	13,839	-	-	-
-	88,485	10,955	99,440	99,440
-	-	-	-	-
-	50,000	-	50,000	50,000
(105,641)	837,229	78,035	809,623	809,623

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>		
Title III-A - English Language Acquisition Grants		84.365
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Total Title III-A - English Language Acquisition Grants		
Title II-A - Improving Teacher Quality		84.367
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
July 1, 2012 - June 30, 2013	WI Department of Public Instruction	
Total Title II-A - Improving Teacher Quality		
Education Jobs Fund		84.410
August 10, 2010 - September 30, 2012	WI Department of Administration	
TOTAL U.S. DEPARTMENT OF EDUCATION		
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Prevention & Wellness, Recovery Act		93.723
July 1, 2010 - January 31, 2012	WI Department of Health Services	
Medical Assistance Program - School Based Services		93.778
July 1, 2012 - June 30, 2013	WI Department of Health Services	
Center for Disease Control		93.938
July 1, 2011 - June 30, 2012	WI Department of Public Instruction	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
TOTAL FEDERAL AWARDS		

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

Accrued (Receivable) Deferred Revenue 7/1/12	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Revenue	Expenditures
(61,335)	61,335	-	-	-
-	135,635	52,740	188,375	188,375
(61,335)	196,970	52,740	188,375	188,375
(149,869)	149,869	-	-	-
-	327,065	100,166	427,231	427,231
(149,869)	476,934	100,166	427,231	427,231
(920,753)	920,753	-	-	-
(3,346,235)	8,875,270	1,895,784	7,424,819	7,424,819
(2,761)	2,761	-	-	-
(210,481)	1,838,770	210,481	1,838,770	1,838,770
-	250	-	250	250
(213,242)	1,841,781	210,481	1,839,020	1,839,020
<u>\$ (4,094,235)</u>	<u>\$ 14,253,998</u>	<u>\$ 2,533,340</u>	<u>\$ 12,693,103</u>	<u>\$ 12,693,103</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of State Financial Assistance
 For the Year Ended June 30, 2013

Grantor Agency/State Program Title	Pass Through Agency	State I.D. Number
------------------------------------	---------------------	-------------------------

WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

COST REIMBURSEMENT PROGRAMS

Alcohol & Drug Abuse Program	Direct Program	255.306
Childhood Fitness	Direct Program	255.930
TOTAL COST REIMBURSEMENT PROGRAMS		

ENTITLEMENT PROGRAMS

Handicapped pupils and school age parents	Direct Program	255.101
State school lunch	Direct Program	255.102
Common School Fund	Direct Program	255.103
Bilingual-Bicultural education	Direct Program	255.106
Transportation aid	Direct Program	255.107
WI Morning Milk Program	Direct Program	255.109
Equalization aids	Direct Program	255.201
High Cost Special Education Aid	Direct Program	255.210
School breakfast program	Direct Program	255.344
Tuition Payment	Direct Program	255.401
Student Achievement Guarantee in Education	Direct Program	255.504
Per Pupil Adjustment Aid	Direct Program	255.925
Total Wisconsin Department of Public Instruction		
TOTAL ENTITLEMENT PROGRAMS		

TOTAL STATE FINANCIAL ASSISTANCE

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

Accrued (Receivable) Deferred Revenue 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

(514)	22,708	2,509	24,703	24,703
-	3,000	-	3,000	3,000
<u>(514)</u>	<u>25,708</u>	<u>2,509</u>	<u>27,703</u>	<u>27,703</u>

-	6,137,499	-	6,137,499	6,137,499
-	54,544	-	54,544	54,544
-	557,029	-	557,029	557,029
-	296,496	-	296,496	296,496
-	106,828	-	106,828	106,828
-	1,785	-	1,785	1,785
(1,354,109)	73,343,963	1,347,569	73,337,423	73,337,423
-	51,992	-	51,992	51,992
-	58,386	-	58,386	58,386
-	101,531	-	101,531	101,531
-	1,499,666	-	1,499,666	1,499,666
-	706,550	-	706,550	706,550
<u>(1,354,109)</u>	<u>82,916,269</u>	<u>1,347,569</u>	<u>82,909,729</u>	<u>82,909,729</u>
<u>(1,354,109)</u>	<u>82,916,269</u>	<u>1,347,569</u>	<u>82,909,729</u>	<u>82,909,729</u>
<u>\$ (1,354,623)</u>	<u>\$ 82,941,977</u>	<u>\$ 1,350,078</u>	<u>\$ 82,937,432</u>	<u>\$ 82,937,432</u>

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of Expenditures of Federal Awards and State Financial Assistance include the federal and state grant activity of the Appleton Area School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2012-2013 eligible costs under the State Special Education Program as reported by the District are \$24,376,954.

NOTE C - OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education
State - Wisconsin Department of Public Instruction

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal programs:	

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch
10.556	School Milk Program
10.559	Summer Food Service Program
	<i>Title I, Part A Cluster</i>
84.010	Title I-A
84.389	ARRA - Title I-A
	<i>Special Education Cluster</i>
84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement
84.367	Title IIA - Improving Teacher Quality

Identification of major state programs:

State ID	Name of State Programs
255.101	State Special Education
255.106	Bilingual/Bicultural
255.107	Pupil Transportation
255.201	Equalization Aids
255.401	State Tuition
255.925	Per Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$380,000
State Financial Assistance	\$100,000

Auditee qualified as low-risk auditee No

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
-------------	-------------------------------

2013-01 Preparation of Annual Financial Report

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section III - Federal Award and State Financial Assistance Findings and Questioned (Continued)

Finding No.	Internal Control and Compliance Deficiencies
-------------	--

2013-02 Pupil Transportation Reporting Classifications

State ID #: *255.107 General Transportation Aid for Public & Non-Public School Pupils*

Condition: The count of pupils receiving transportation from the School District has not been recorded accurately for the year ended June 30, 2013. Using a sample of 25, we noted one instance of student being reported in the 0-2 mile category but they did not live along the hazardous transportation routes. In addition, four students whereby the distance recorded from home to school using the most direct route was recorded inaccurately and one student whose enrollment was reported inaccurately. Finally, nine students who attended 90 days were improperly classified as attending over 90 days.

Criteria: The requirements for state transportation aid are detailed in Section 121.58 of the Wisconsin Statutes. These requirements contain provisions that require school districts to count pupils who were actually transported once during the school year with home to school distance using the most direct route. In addition, all students who attend 1-90 days should be properly classified.

Cause: The School District has a policy that the secretary at each school keeps track of the student's transportation. They work with the bus company to determine which students are and are not riding the bus. At the end of the school year, each school secretary sends the number of student's transported for each category to the Assistant Superintendent who consolidates the numbers and submits the report to the DPI.

Effect: The School District was compensated through state pupil transportation aid for students who were reported inaccurately.

Questioned Costs: Not determined.

Recommendation: We recommend the District provide additional training to employees to verify the distance from home to school along with verifying whether students live on hazardous routes or not. The District should also look into updating their hazardous route plan with DPI.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section III - Federal Award and State Financial Assistance Findings and Questioned (Continued)

Finding No.	Internal Control and Compliance Deficiencies
-------------	--

2013-03 Special Education Transportation Routes

State ID #: *255.101 Handicapped pupils and school age parents*

Condition: Transportation expenditures reported on the PI 1505 Special Education annual report contained expenditures recorded for transportation costs as an aidable special education expense. Using a sample of ten pupils that were transported on special transportation routes, we noted two instances of pupils who were transported that did not have an individual education plan. Those pupils were not eligible to be transported on the special transportation route, however the transportation routes were claimed as an aidable special education expense.

Criteria: The requirements for special transportation funding are detailed in Section 115.88 of the Wisconsin Statutes. The requirements for special transportation funding states that Districts that transport special education pupils on a route that includes only pupils with an IEP may claim special transportation funding if the following conditions are met:

The pupil's individual education plan indicated that special transportation is required, and only pupils with an IEP indicating that special transportation is required are included on the route.

No regular education pupils may be transported on the route.

Cause: The District placed students without IEP's on these special education routes due to efficiency.

Effect: The School District was compensated through state handicapped pupils and school age parents for non-eligible pupils.

Questioned Costs: Not determined.

Recommendation: We recommend the District provide additional training to employees to fully understand guidelines set by the Wisconsin Department of Public Instruction, and modify their transportation routes accordingly.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ Yes X 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	_____ <u> X </u>	Yes	_____ <u> X </u>	No
Department of Health Services	_____	Yes	_____ <u> X </u>	No
Department of Administration	_____	Yes	_____ <u> X </u>	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ X Yes _____ No

Name and signature of shareholder



 Paul G. Denis, CPA

Date of report

November 8, 2013

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2013

Prior Year Audit Findings

All findings noted in the 2012 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. Management continues to believe the cost to hire additional staff to eliminate the control deficiency identified as 2012-01 outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by Schenck.

Finding 2012-03 was not corrected and will be repeated as a finding.

Corrective Action Plan

Finding No.	Corrective Action Plan
2013-01	<p>Preparation of Annual Financial Report</p> <p>Management believes that the cost of hiring additional staff to prepare year end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received.</p>
2013-02	<p>Pupil Transportation Reporting Classifications</p> <p>The District is committed to accurate reporting for all aids and programs, thus will work to improve its pupil transportation reporting process through training and reviewing/updating of route plans.</p>
2013-03	<p>Special Education Transportation Routes</p> <p>The District will work with new staff to provide additional training and support; ensuring that staff understand policies and procedures regarding Special Education Transportation.</p>