

**APPLETON AREA SCHOOL DISTRICT
APPLETON, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
June 30, 2015

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Appleton, Wisconsin
June 30, 2015

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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, ("the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 auditors consider 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, 2015, and the respective changes in financial position 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.2, the District reclassified food service and community service operations from an enterprise fund to a special revenue fund as of July 1, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note C.5, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68*. 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, and the schedules relating to pensions and other post-employment benefits on pages 4 through 11 and 49 through 54 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 State of Wisconsin 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 2014 financial statements, and our report dated November 13, 2014, expressed unmodified 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS



Appleton Area School District

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Management's Discussion and Analysis June 30, 2015

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, 2015. 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

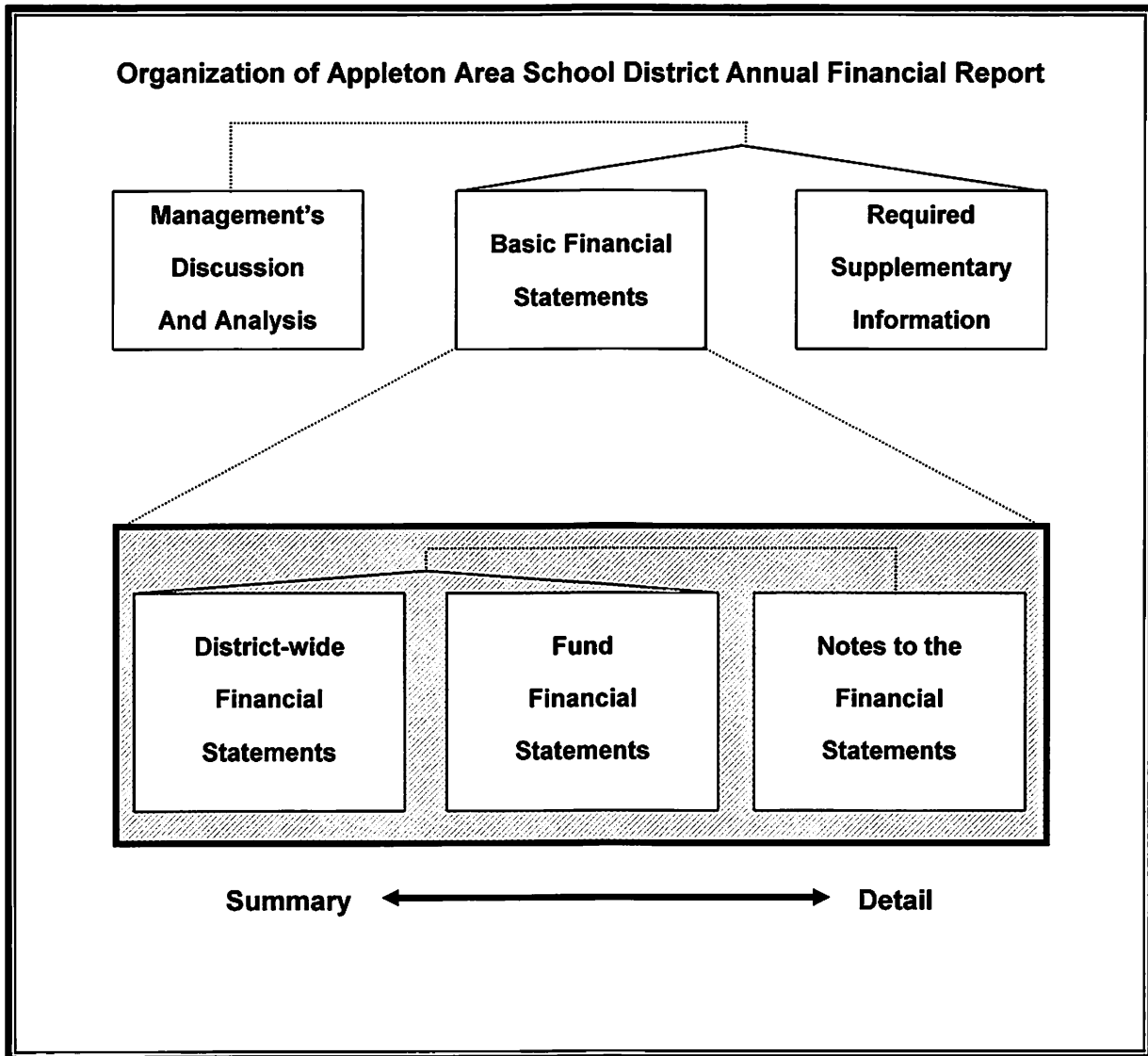
- Spending restraint was demonstrated in several general fund categories including capital projects, technology purchases and educational and administrative staffing.
- Fund Balance in the general fund increased by \$1,027,952.

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 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.
- 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, liabilities and deferred inflows of resources. 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 it has changed. The net position, which is the difference between district assets and deferred outflows of resources compared to liabilities and deferred inflows, 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 were included here prior to July 1, 2014.

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 more on June 30, 2015 than it was the year before.

	2015 Governmental Activities	2014 Governmental Activities
Current and other assets	\$ 63,814,640	\$ 67,207,288
Capital assets	84,158,306	69,831,292
Total Assets	147,972,946	137,038,580
Deferred Outflows of Resources		
Deferred charges	868,637	1,009,421
Deferred outflows related to pension	13,561,781	-
	14,430,418	1,009,421
Long-term obligations	97,135,481	103,579,656
Other liabilities	19,233,080	19,292,036
Total Liabilities	116,368,561	122,871,692
Deferred Inflows of Resources	76,629	-
Net Position		
Net investment in capital assets	38,898,306	42,656,145
Restricted	38,599,053	6,235,906
Unrestricted (deficit)	(31,539,185)	(33,715,742)
Total Net Position	\$ 45,958,174	\$ 15,176,309

The District's total net position increased to \$45,958,174 in 2014-2015. This is an increase of \$30,781,865. Total revenues were \$187,796,862, an increase of \$11,703,745, primarily due to an increase in state aids. Total cost of programs and services of \$185,689,852 was an increase of \$8,667,160.

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

	2015 Governmental Activities	2014 Governmental Activities
Revenues		
Program Revenues		
Charges for services	\$ 12,624,001	\$ 12,133,062
Operating grants and contributions	22,732,270	21,218,970
General Revenues		
Property taxes	66,201,597	64,360,340
State formula aid	85,187,060	77,265,152
Other	1,051,934	1,115,593
Total Revenues	187,796,862	176,093,117
Expenses		
Instruction	103,371,029	102,755,153
Support Services	70,288,516	57,174,387
Community services	1,333,476	-
Interest on debt	1,775,924	1,485,035
Non-Program	4,457,387	4,033,896
Depreciation - unallocated	4,463,520	3,771,042
Other	-	7,803,179
Total Expenses	185,689,852	177,022,692
Increase (Decrease) in Net Position	\$ 2,107,010	\$ (929,575)

- The change in net position over the past year was an increase in net position of \$30,781,865. The overall increase resulted from the sum of the increase in net position (chart above) plus the recording of the net pension asset associated with the Wisconsin Retirement System.

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 \$185,689,852.
- The users of the district's programs financed some of the cost. (6.2%).
- The federal and state governments subsidized certain programs with grants and contributions. (10%).
- The remaining portion of governmental activities was financed with \$66,201,597 in property taxes and \$85,187,060 of unrestricted state aid based on the statewide equalization aid formula.

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 \$18,914,285 plus the total fund balance of all governmental funds of \$29,549,872. As the district completed the year, its governmental activities reported combined net position of \$29,532,794.

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 was an increase of \$1,581,227 in the budgeted net change in fund balance.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2014-15 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 \$4,463,520.

	2015 Governmental Activities	2014 Governmental Activities
Land	\$ 7,593,005	\$ 7,593,005
Buildings	135,588,188	118,581,755
Machinery and equipment	24,780,182	24,563,798
Accumulated depreciation	(83,803,069)	(77,556,852)
Total	\$ 84,158,306	\$ 73,181,706

Long-Term Obligations

At year-end, the district had \$48,550,000 in general obligation bonds and notes as well as \$48,585,481 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.

	2015 Total District	2014 Total District
General obligation debt	\$ 48,550,000	\$ 52,845,000
Other	48,585,481	50,734,656
Total	\$ 97,135,481	\$ 103,579,656

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, 2015
(With summarized financial information as of June 30, 2014)

	Governmental Activities		Component Unit
	2015	2014	Wisconsin Connections Academy
ASSETS			
Cash and investments	\$ 29,617,591	\$ 48,849,153	\$ 58,467
Receivables			
Taxes	13,961,382	13,729,256	-
Accounts	743,575	850,149	-
Due from other governments	4,000,566	3,778,730	-
Total Current Assets	48,323,114	67,207,288	58,467
Other Assets			
Net pension asset	15,491,526	-	-
Capital Assets			
Land	7,593,005	7,593,005	-
Buildings and improvements	135,588,188	119,162,808	-
Machinery and equipment	24,780,182	22,415,028	-
Less: Accumulated depreciation	(83,803,069)	(79,339,549)	-
Total Capital Assets, net of accumulated depreciation	84,158,306	69,831,292	-
TOTAL ASSETS	147,972,946	137,038,580	58,467
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	868,637	1,009,421	-
Deferred outflows related to pension	13,561,781	-	-
Total Deferred Outflows of Resources	14,430,418	1,009,421	-
LIABILITIES			
Current Liabilities			
Accounts payable	1,520,085	1,926,771	-
Accrued payroll liabilities	17,249,977	16,988,570	-
Accrued interest payable	459,838	271,388	-
Unearned revenues	3,180	105,307	-
Total Current Liabilities	19,233,080	19,292,036	-
Long-term obligations			
Due within one year	8,930,227	9,670,855	-
Due in more than one year	88,205,254	93,908,801	-
TOTAL LIABILITIES	116,368,561	122,871,692	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	76,629	-	-
NET POSITION			
Net investment in capital assets	38,898,306	42,656,145	-
Restricted for			
Debt service	3,326,010	3,254,980	-
Trust fund	905,759	455,919	-
Capital improvements	4,605,217	433,100	-
Food service	785,389	2,091,907	-
Pension benefits	28,976,678	-	-
Unrestricted (deficit)	(31,539,185)	(33,715,742)	58,467
TOTAL NET POSITION	\$ 45,958,174	\$ 15,176,309	\$ 58,467

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, 2015
 (With summarized financial information for the year ended June 30, 2014)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 103,371,029	\$ 10,324,254	\$ 11,986,608
Support services	70,288,516	2,275,623	9,828,259
Community services	1,333,476	24,124	-
Interest on debt	1,775,924	-	-
Non-program	4,457,387	-	917,403
Depreciation - unallocated	4,463,520	-	-
Total Governmental Activities	185,689,852	12,624,001	22,732,270
Business-type Activities			
School food service program	-	-	-
Community service program	-	-	-
Total Business-type Activities	-	-	-
Component Unit Activities			
Wisconsin Connections Academy	6,222	7,500	-
Total School District	\$ 185,696,074	\$ 12,631,501	\$ 22,732,270

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for special revenue fund
- 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

Transfers

Total General Revenues and Transfers

Change in net position

Net position - July 1, as originally reported

Cumulative effect of change in accounting principles

Net position - July 1, as restated

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
		2015	2014	
\$ (81,060,167)	\$ -	\$ (81,060,167)	\$ (82,026,124)	\$ -
(58,184,634)	-	(58,184,634)	(51,661,707)	-
(1,309,352)	-	(1,309,352)	-	-
(1,775,924)	-	(1,775,924)	(1,485,035)	-
(3,539,984)	-	(3,539,984)	(3,091,116)	-
(4,463,520)	-	(4,463,520)	(3,771,042)	-
(150,333,581)	-	(150,333,581)	(142,035,024)	-
-	-	-	(294,310)	-
-	-	-	(1,341,326)	-
-	-	-	(1,635,636)	-
-	-	-	-	1,278
(150,333,581)	-	(150,333,581)	(143,670,660)	1,278
56,323,335	-	56,323,335	57,155,266	-
-	-	-	-	-
5,949,951	-	5,949,951	5,069,601	-
2,460,000	-	2,460,000	360,000	-
1,467,000	-	1,467,000	1,467,000	-
1,311	-	1,311	308,473	-
85,187,060	-	85,187,060	77,265,152	-
27,140	-	27,140	13,993	176
353,922	-	353,922	337,051	-
670,872	-	670,872	764,549	8,454
3,131,743	(3,131,743)	-	-	-
155,572,334	(3,131,743)	152,440,591	142,741,085	8,630
5,238,753	(3,131,743)	2,107,010	(929,575)	9,908
12,044,566	3,131,743	15,176,309	16,105,884	48,559
28,674,855	-	28,674,855	-	-
40,719,421	3,131,743	43,851,164	16,105,884	48,559
\$ 45,958,174	\$ -	\$ 45,958,174	\$ 15,176,309	\$ 58,467

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2015

(With summarized financial information as of June 30, 2014)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2015	2014
ASSETS					
Cash and investments	\$ 24,416,939	\$ 1,349,112	\$ 3,851,540	\$ 29,617,591	\$ 48,835,366
Receivables					
Taxes	13,961,382	-	-	13,961,382	13,729,256
Accounts	743,575	-	-	743,575	837,601
Due from other funds	15,191	2,524,054	3,280,089	5,819,334	1,085,897
Due from other governments	3,571,280	-	429,286	4,000,566	3,333,729
TOTAL ASSETS	\$ 42,708,367	\$ 3,873,166	\$ 7,560,915	\$ 54,142,448	\$ 67,821,849
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 848,584	\$ 99,087	\$ 572,414	\$ 1,520,085	\$ 1,486,658
Accrued payroll liabilities	17,141,739	-	108,238	17,249,977	16,988,570
Due to other funds	5,800,579	-	18,755	5,819,334	3,242,388
Unearned revenues	3,180	-	-	3,180	9,500
Total Liabilities	23,794,082	99,087	699,407	24,592,576	21,727,116
Fund Balances					
Nonspendable	-	-	35,160	35,160	35,160
Restricted	-	3,774,079	6,308,134	10,082,213	28,173,240
Assigned	13,018,003	-	518,214	13,536,217	11,747,007
Unassigned	5,896,282	-	-	5,896,282	6,139,326
Total Fund Balances	18,914,285	3,774,079	6,861,508	29,549,872	46,094,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,708,367	\$ 3,873,166	\$ 7,560,915	\$ 54,142,448	\$ 67,821,849

(Continued)

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2015
 (With summarized financial information as of June 30, 2014)

	2015	2014
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown on the previous page	\$ 29,549,872	\$ 46,094,733
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.	84,158,306	68,791,456
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	15,491,526	-
Deferred outflows of resources	13,561,781	-
Deferred inflows of resources	(76,629)	-
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	\$ (48,550,000)	
Bond premium	(1,478,976)	
Capital leases payable	(2,092,787)	
Post-employment health benefits payable	(41,447,450)	
Compensated absences	(3,566,268)	
Accrued interest on long-term obligations	(459,838)	
Deferred charges on advance refunding	868,637	
	<u>(96,726,682)</u>	<u>(102,841,623)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 12)	<u>\$ 45,958,174</u>	<u>\$ 12,044,566</u>

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, 2015
(With summarized financial information for the year ended June 30, 2014)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2015	2014
Revenues					
Property taxes	\$ 56,323,335	\$ -	\$ 9,876,951	\$ 66,200,286	\$ 62,584,867
Other local sources	1,187,827	12,705	2,123,872	3,324,404	1,405,216
Interdistrict sources	9,726,542	-	-	9,726,542	8,903,118
Intermediate sources	15,996	-	-	15,996	15,292
State sources	95,083,949	-	98,299	95,182,248	86,523,663
Federal sources	8,627,069	-	3,748,530	12,375,599	8,261,869
Other sources	418,457	-	392,738	811,195	602,100
Total Revenues	171,383,175	12,705	16,240,390	187,636,270	168,296,125
Expenditures					
Instruction					
Regular instruction	67,349,053	-	92,630	67,441,683	67,251,378
Vocational instruction	3,645,216	-	-	3,645,216	3,369,613
Special education instruction	21,902,603	-	-	21,902,603	21,111,527
Other instruction	11,053,509	-	31,552	11,085,061	11,243,875
Total Instruction	103,950,381	-	124,182	104,074,563	102,976,393
Support Services					
Pupil services	8,692,552	-	300,000	8,992,552	8,545,339
Instructional staff services	8,801,671	-	41,088	8,842,759	7,491,755
General administration services	1,213,322	-	-	1,213,322	1,167,007
School administration services	8,613,089	-	-	8,613,089	8,292,113
Business services	1,147,696	-	-	1,147,696	979,160
Operations and maintenance of plant	17,472,892	16,425,383	2,062,008	35,960,283	16,319,989
Pupil transportation services	4,704,901	-	3,932	4,708,833	4,541,156
Food services	-	-	6,268,815	6,268,815	-
Central services	5,423,474	3,571,096	2,367	8,996,937	8,062,018
Insurance	993,432	-	-	993,432	852,637
Other support services	3,914,332	-	-	3,914,332	4,404,096
Community services	-	-	1,333,640	1,333,640	-
Total Support Services	60,977,361	19,996,479	10,011,850	90,985,690	60,655,270
Debt Service					
Principal	1,082,965	-	4,295,000	5,377,965	4,180,000
Interest	44,107	-	1,493,918	1,538,025	1,102,855
Total Debt Service	1,127,072	-	5,788,918	6,915,990	5,282,855
Non-program					
General tuition payments	4,019,973	-	-	4,019,973	3,542,465
Special education tuition payments	397,840	-	-	397,840	470,388
Adjustments and refunds	39,574	-	-	39,574	21,043
Total Non-program	4,457,387	-	-	4,457,387	4,033,896
Total Expenditures	170,512,201	19,996,479	15,924,950	206,433,630	172,948,414
Excess of Revenues Over (Under) Expenditures	870,974	(19,983,774)	315,440	(18,797,360)	(4,652,289)
Other Financing Sources (Uses)					
Debt refinancing expenditure	-	-	-	-	(7,303,388)
Long-term debt issued	-	-	-	-	31,330,000
Capital lease proceeds	-	-	-	-	3,175,752
Premium and accrued interest from debt refinancing	-	-	-	-	978,688
Sale of capital assets	160,592	-	-	160,592	162,449
Transfers in	-	-	2,873,085	2,873,085	-
Transfers out	(3,614)	-	(777,564)	(781,178)	-
Total Other Financing Sources (Uses)	156,978	-	2,095,521	2,252,499	28,343,501
Net Change in Fund Balances	1,027,952	(19,983,774)	2,410,961	(16,544,861)	23,691,212
Fund Balances - July 1	17,886,333	23,757,853	4,450,547	46,094,733	22,403,521
Fund Balances - June 30	\$ 18,914,285	\$ 3,774,079	\$ 6,861,508	\$ 29,549,872	\$ 46,094,733

(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, 2015
 (With summarized financial information for the year ended June 30, 2014)

<u>Reconciliation to the Statement of Activities</u>	2015	2014
Net Change in Fund Balances from previous page	\$ (16,544,861)	\$ 23,691,212
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	\$ 18,790,534	
Depreciation expense reported in the statement of activities	<u>(4,463,520)</u>	
Amount in which depreciation is less (greater) than capital outlays	14,327,014	(2,666,466)
Change in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	301,823	-
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service and community service funds from proprietary funds to special revenue funds.	1,039,836	-
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.	-	(516,057)
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 decreased (increased) by:	974,875	3,113,604
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:	-	(34,505,752)
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:	5,377,965	10,915,000
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.	-	48,869
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.	(188,450)	79,604
Bond premiums and deferred charges are reported in the governmental funds as a revenue and expenditures. In the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	<u>(49,449)</u>	<u>(920,953)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13-14)	<u>\$ 5,238,753</u>	<u>\$ (760,939)</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, 2015
(With summarized financial information as of June 30, 2014)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	2015	2014
	ASSETS			
Current Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 13,787
Receivables				
Accounts	-	-	-	12,548
Due from other funds	-	-	-	2,156,491
Due from other governments	-	-	-	445,001
Capital Assets				
Buildings	-	-	-	1,134,026
Machinery and equipment	-	-	-	335,691
Less accumulated depreciation	-	-	-	(429,881)
TOTAL ASSETS	-	-	-	3,667,663
LIABILITIES				
Current Liabilities				
Accounts payable	-	-	-	440,113
Unearned revenues	-	-	-	95,807
TOTAL LIABILITIES	-	-	-	535,920
NET POSITION				
Net investment in capital assets	-	-	-	1,039,836
Restricted	-	-	-	2,091,907
TOTAL NET POSITION	\$ -	\$ -	\$ -	\$ 3,131,743

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, 2015
(With summarized financial information for the year ended June 30, 2014)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	Total Nonmajor Proprietary Funds	
			2015	2014
Operating Revenues				
Food sales	\$ -	\$ -	\$ -	\$ 2,082,153
Other local sources	-	-	-	154,342
State sources	-	-	-	95,775
Federal sources	-	-	-	3,588,946
Other sources	-	-	-	246,327
Total Operating Revenues	-	-	-	6,167,543
Operating Expenses				
Salaries, wages and benefits	-	-	-	596,676
Purchased services	-	-	-	3,472,456
Supplies and materials	-	-	-	3,510,339
Other	-	-	-	55,817
Depreciation	-	-	-	75,075
Total Operating Expenses	-	-	-	7,710,363
Operating Loss	-	-	-	(1,542,820)
Nonoperating Revenues (Expenses)				
Transfer to special revenue fund	(953,613)	(1,138,294)	(2,091,907)	-
Transfer to governmental activities	(152,663)	(887,173)	(1,039,836)	-
Property taxes	-	-	-	1,467,000
Loss on disposal of capital assets	-	-	-	(92,816)
Total Nonoperating Revenues (Expenses)	(1,106,276)	(2,025,467)	(3,131,743)	1,374,184
Change in Net Position	(1,106,276)	(2,025,467)	(3,131,743)	(168,636)
Net Position - July 1	1,106,276	2,025,467	3,131,743	3,300,379
Net Position - June 30	\$ -	\$ -	\$ -	\$ 3,131,743

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, 2015

(With summarized financial information for the year ended June 30, 2014)

	Nonmajor Funds		Total Nonmajor Proprietary Funds	
	Food Service	General Community Service	2015	2014
Cash Flows from Operating Activities				
Cash received from user charges	\$ -	\$ -	\$ -	\$ 2,490,726
Cash received from other government payments	-	-	-	3,666,795
Cash received from other funds	-	-	-	194,907
Cash paid to other funds	-	-	-	(204,685)
Cash payments to employees	-	-	-	(596,676)
Cash payments to suppliers	-	-	-	(7,012,416)
Net Cash Used in Operating Activities	-	-	-	(1,461,349)
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	(1,106,276)	(2,025,467)	(3,131,743)	-
Property taxes	-	-	-	1,467,000
Net Cash Flows from Noncapital Financing Activities	(1,106,276)	(2,025,467)	(3,131,743)	1,467,000
Net Change in Cash and Investments	(1,106,276)	(2,025,467)	(3,131,743)	5,651
Cash and Investments - July 1	1,106,276	2,025,467	3,131,743	8,136
Cash and Investments - June 30	\$ -	\$ -	\$ -	\$ 13,787
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:				
Operating loss	\$ -	\$ -	\$ -	\$ (1,542,820)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	-	-	-	75,075
Changes in assets and liabilities:				
Accounts receivable	-	-	-	7,904
Due from other funds	-	-	-	(9,778)
Due from other governments	-	-	-	(17,926)
Accounts payable	-	-	-	11,701
Unearned revenues	-	-	-	14,495
Net Cash Used in Operating Activities	\$ -	\$ -	\$ -	\$ (1,461,349)
Noncash Noncapital Financing Activities:				
Commodities Received From U.S. Department of Agriculture	\$ -	\$ -	\$ -	\$ 370,101

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, 2015

(With summarized financial information as of June 30, 2014)

	Private Purpose Trust Fund	Agency Funds	Total Fiduciary Funds	
			2015	2014
ASSETS				
Cash and cash equivalents	\$ 128,110	\$ 2,126,010	\$ 2,254,120	\$ 1,999,872
LIABILITIES				
Due to student organizations	-	2,126,010	2,126,010	1,871,391
NET POSITION				
Restricted for Scholarships	\$ 128,110	\$ -	\$ 128,110	\$ 128,481

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, 2015
 (With summarized financial information for the year ended June 30, 2014)

	Private Purpose Trust Fund	
	2015	2014
ADDITIONS		
Other local sources	\$ 1,927	\$ 3,047
DEDUCTIONS		
Trust fund disbursements	2,098	3,500
Adjustments and refunds	200	-
Total Deductions	<u>2,298</u>	<u>3,500</u>
Change in Net Position	(371)	(453)
Net Position - July 1	<u>128,481</u>	<u>128,934</u>
Net Position - June 30	<u>\$ 128,110</u>	<u>\$ 128,481</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, 2015

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 district-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, 2015. 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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports the following major governmental funds:

GENERAL FUND

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

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 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 FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Prior to July 1, 2014, the Food Service Fund and Community Service Fund were accounted for as enterprise funds. As of July 1, 2014, they are accounted for as special revenue funds.

Additionally, the government reports the following fund types:

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.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

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

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

g. Deferred Outflows/Inflows of Resources

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) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

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 has one item that qualifies for reporting in this category on the statement of net position. This item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

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.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

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

j. 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.
- **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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- 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, 2014, from which the summarized information was derived.

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 \$31,871,711 on June 30, 2015 as summarized below:

Deposits with financial institutions	\$ 8,418,012
Investments	
Wisconsin investment series cooperative	23,453,699
	\$ 31,871,711

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 29,617,591
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	128,110
Agency funds	2,126,010
	\$ 31,871,711

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.

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, 2015, \$6,532,680 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The amount of \$4,990,173 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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aaa	Not Rated
Wisconsin Investment Series Cooperative	\$ 23,453,699	\$ -	\$ -	\$ -	\$ 23,453,699

Concentration of Credit Risk

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

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	\$ 23,453,699	\$ 23,453,699	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$23,453,699 at year end 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.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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.

3. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Transfer	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,593,005	\$ -	\$ -	\$ -	\$ 7,593,005
Capital assets, being depreciated:					
Buildings and improvements	118,028,782	1,134,026	16,425,380	-	135,588,188
Machinery and equipment	22,079,337	335,691	2,365,154	-	24,780,182
Subtotals	140,108,119	1,469,717	18,790,534	-	160,368,370
Less accumulated depreciation for:					
Buildings and improvements	58,750,200	246,853	2,870,825	-	61,867,878
Machinery and equipment	20,159,468	183,028	1,592,695	-	21,935,191
Subtotals	78,909,668	429,881	4,463,520	-	83,803,069
Total capital assets, being depreciated, net	61,198,451	1,039,836	14,327,014	-	76,565,301
Governmental activities capital assets, net	<u>\$ 68,791,456</u>	<u>\$ 1,039,836</u>	<u>\$ 14,327,014</u>	<u>\$ -</u>	84,158,306
Less related long-term debt outstanding					<u>45,260,000</u>
Net investment in capital assets					<u>\$38,898,306</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Transfer	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, being depreciated:					
Buildings	\$ 1,134,026	\$(1,134,026)	\$ -	\$ -	\$ -
Machinery and equipment	335,691	(335,691)	-	-	-
Subtotals	1,469,717	(1,469,717)	-	-	-
Less accumulated depreciation for:					
Buildings	246,853	(246,853)	-	-	-
Machinery and equipment	183,028	(183,028)	-	-	-
Subtotals	429,881	(429,881)	-	-	-
Business-type activities capital assets, net	\$ 1,039,836	\$(1,039,836)	\$ -	\$ -	\$ -

The transfer column represents capital assets of the District's food service and community service funds that have been transferred from business-type activities to governmental activities during the year ended June 30, 2015.

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

4. Interfund Receivable, Payables and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 15,191	\$ 5,800,579
Special Revenue Funds		
Trust	897,728	-
Indian education	-	3,756
Food service	676,199	-
General community service	742,312	-
Debt Service Fund		
Non-referendum debt fund	-	11,435
Referendum debt fund	3,564	3,564
Capital Projects Funds		
Capital projects	2,524,054	-
Capital expansion	960,286	-
Totals	\$ 5,819,334	\$ 5,819,334

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended June 30, 2015 were as follows:

	Transfer to:				Total
	Special Revenue Funds			Debt Service Fund	
	Trust Fund	Food Service	General Community Service	Non-Referendum Debt Service	
Transfers from:					
General Fund	\$ -	\$ -	\$ -	\$ 3,614	\$ 3,614
Enterprise Funds					
Food service	-	953,613	-	-	953,613
General community service	-	-	1,138,294	-	1,138,294
Special Revenue Fund					
General community service	777,564	-	-	-	777,564
Total transfers	<u>\$ 777,564</u>	<u>\$ 953,613</u>	<u>\$ 1,138,294</u>	<u>\$ 3,614</u>	<u>\$ 2,873,085</u>

As stated in Note A.2, during the year ended June 30, 2015, the District transferred financial resources of the food service and community service funds from enterprise funds to special revenue funds. The transfer to governmental activities in the amount of \$1,039,836 represents the net investment in capital assets as of June 30, 2014.

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, 2015 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Taxable tax anticipation notes	\$ -	\$ 17,000,000	\$ 17,000,000	\$ -

Total interest paid during the year on short-term debt totaled \$36,091.

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
2016	\$ 88,539
2017	2,138
	<u>\$ 90,677</u>

Rent expense under all operating leases for the year ended June 30, 2015 amounted to \$528,620.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

CAPITAL LEASES

The District is obligated under a lease accounted for as a capital lease that was used to finance the acquisition of capital assets. Presented below is a schedule of future minimum lease payments required under the capital lease, and the present value of the net minimum lease payments at June 30, 2015:

Year Ending	Amount
2016	\$ 1,090,231
2017	1,090,231
Total Minimum Lease Payments	<u>2,180,462</u>
Less: Amount representing interest	87,675
Present Value of Future Minimum Lease Payments	<u>\$ 2,092,787</u>

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2015:

	Outstanding 7/1/14	Issued	Retired	Outstanding 6/30/15	Amount Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 46,305,000	\$ -	\$ 3,735,000	\$42,570,000	\$ 2,765,000
Notes	6,540,000	-	560,000	5,980,000	670,000
Total General Obligation Debt	<u>52,845,000</u>	-	4,295,000	48,550,000	3,435,000
Bond premium	1,570,311	-	91,335	1,478,976	91,335
Capital leases	3,175,752	-	1,082,965	2,092,787	1,032,047
Post-employment health benefits payable	42,352,599	2,941,902	3,847,051	41,447,450	4,028,722
Compensated absences	3,635,994	445,571	515,297	3,566,268	343,123
Governmental activities Long-term obligations	<u>\$103,579,656</u>	<u>\$ 3,387,473</u>	<u>\$ 9,831,648</u>	<u>\$97,135,481</u>	<u>\$ 8,930,227</u>

Total interest paid during the year on long-term debt totaled \$1,493,918.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$4,265,000 issued 3/3/08; \$325,000 to \$365,000 due annually through 2018; interest 3.75%	\$ 1,055,000
\$7,135,000 issued 7/16/12; \$90,000 to \$1,160,000 due annually through 2025; interest 2.0% to 2.3%	6,895,000
\$6,040,000 issued 7/16/12; \$590,000 to \$735,000 due annually through 2020; interest 1.25%-1.8%	3,290,000
\$29,075,000 issued 6/2/14; \$460,000 to \$2,350,000 to begin in 2016 through 2034; interest 2.0% - 4.0%	29,075,000
\$2,255,000 issued 6/2/14; \$1,745,000 due in 2016 and \$510,000 due in 2017; interest 1.0% - 1.25%	2,255,000

Notes

\$1,000,000 issued 10/01/07; \$155,000 to \$165,000 due annually through 2017; interest 4.25%	320,000
\$2,000,000 issued 4/28/08; \$260,000 to \$285,000 due annually through 2018; interest 3.75% - 4.45%	815,000
\$2,250,000 issued 8/30/10; \$255,000 to \$635,000 due annually through 2020; interest 4.40%	2,095,000
\$2,750,000 issued 7/16/12; \$1,360,000 due in 2021 and \$1,390,000 due in 2022; interest 2.0% - 2.25%	2,750,000

Total Outstanding General Obligation Debt	<u>\$ 48,550,000</u>
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Annual principal and interest maturities of the outstanding general obligation debt of \$48,550,000 on June 30, 2015 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 3,435,000	\$ 1,429,790	\$ 4,864,790
2017	3,505,000	1,373,193	4,878,193
2018	3,590,000	1,288,025	4,878,025
2019	3,675,000	1,215,468	4,890,468
2020	3,785,000	1,112,328	4,897,328
2021-2025	12,050,000	3,815,135	15,865,135
2026-2030	9,605,000	2,507,240	12,112,240
2031-2034	8,905,000	828,489	9,733,489
	<u>\$ 48,550,000</u>	<u>\$ 13,569,668</u>	<u>\$ 62,119,668</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

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, 2015 was \$652,417,854 as follows:

Equalized valuation of the District		\$ 6,976,418,444
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		697,641,844
Total outstanding general obligation debt applicable to debt limitation	\$ 48,550,000	
Less: Amounts available for financing general obligation debt		
Debt service funds, less accrued interest	3,326,010	
Net outstanding general obligation debt applicable to debt limitation		45,223,990
Legal Margin for New Debt		\$ 652,417,854

8. Pension Plan

a. Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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.

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

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

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

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

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$6,156,737 in contributions from the District.

Contribution rates as of June 30, 2015 are:

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

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

- d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported an asset of \$15,491,526 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.63069221%, which was an increase of 0.00224518% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,061,720.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,245,789	\$ -
Net differences between projected and actual earnings on pension plan investments	7,501,745	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	76,629
Employer contributions subsequent to the measurement date	3,814,247	-
Total	\$ 13,561,781	\$ 76,629

The \$3,814,247 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$ 2,222,319	\$ 17,470
2016	2,222,319	17,470
2017	2,222,319	17,470
2018	2,222,319	17,470
2019	858,258	6,749

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

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

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

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

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

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

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

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
---	------------------------------------	---

District's proportionate share of the net pension (liability) asset	\$ (43,704,263)	\$ 15,491,526	\$ 62,241,967
--	-----------------	---------------	---------------

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

f. Payable to WRS

At June 30, 2015, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

8. Fund Equity

Fund Statements

In the fund financial statements, portions of governmental fund balances are not available for expenditure. At June 30, 2015, nonspendable fund balance was as follows:

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

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2015, fund balance restricted was as follows:

Special Revenue Funds	
Trust Fund	
Scholarships	\$ 905,759
Food Service	785,389
Debt Service Funds	
Retirement of long-term debt	3,785,848
Capital Project Funds	
Capital improvements	4,605,217
	<u>\$ 10,082,213</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, 2015, fund balance assigned was as follows:

General Fund	
Retiree health insurance	\$ 13,018,003
Special Revenue Funds	
General community service	518,214
	<u>\$ 13,536,217</u>

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 \$58,467 and the bank balance was \$58,467. The entire bank balance was covered by federal depository insurance.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION

1. Postemployment Benefits Other Than Pension Benefits

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2013, the date of the latest actuarial valuation, was 1,705 active and 318 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	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
-------------	--------------	---------------------------------------	---------	-----------------------

Teachers/
Administrators

55
56
57
58

6/30/2014
6/30/2016
6/30/2018
After 6/30/2018

10

For retirees prior to July 1, 2015, the District shall pay 88% of the group health insurance premium and any increases occurring during the first ninety-six months of premium payments for the plan (single or family) in which the teacher was enrolled at the time of retirement at a ratio of one year's premium for each five years of service (one year's premium for each three years of service for service prior to July 1, 2013) in the District, to a maximum premium payment of one hundred twenty months or to age 65, whichever is sooner. Retirees may continue in the plan by paying 100% of the premium.

For retirees prior to June 30, 2007, the District shall pay health insurance premiums for up to ten 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.

For retirees after July 1, 2015, 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, 2015

NOTE C - OTHER INFORMATION (Continued)

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
Secretary/ Clerical	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Maintenance	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Para-Professionals	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every twelve years of continuous service, up to two years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Administrative Support Unit	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every six years of continuous service up to six years after 36 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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	\$ 3,743,199
Interest on net OPEB	1,230,671
Adjustment to annual required contribution	<u>(2,031,968)</u>
Annual OPEB cost (expense)	2,941,902
Contributions made	<u>3,847,051</u>
Change in net OPEB obligation	(905,149)
OPEB obligation - beginning of year	<u>42,352,599</u>
OPEB obligation - end of year	<u><u>\$ 41,447,450</u></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.

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, 2013
Actuarial cost method	Unit Credit Actuarial
Amortization method	Level Dollar Amortization
Remaining amortization period	30
Actuarial assumptions:	
Investment rate of return	3.00%
Healthcare cost trend rate	8.20% initial 4.5% ultimate

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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
6/30/2013	\$ 14,497,786	37.4%	\$ 43,587,070
6/30/2014	\$ 2,985,313	141.4%	\$ 42,352,599
6/30/2015	\$ 2,941,902	130.8%	\$ 41,447,450

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 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)
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A
2013	\$ -	\$ 44,945,198	0.00%	\$ 44,945,198	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.

2. **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.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

3. 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.

4. 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.

5.. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. Financial statements for the year ended June 30, 2014, have not been restated. The cumulative effect of this change was to increase the June 30, 2015 net position of the governmental activities by \$28,674,855.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 56,323,335	\$ 56,323,335	\$ 56,323,335	\$ -
Other local sources	697,150	697,150	1,174,209	477,059
Interdistrict sources	8,961,000	8,961,000	9,653,036	692,036
State sources	87,362,432	87,362,432	88,426,773	1,064,341
Federal sources	5,003,868	5,003,868	5,259,036	255,168
Other sources	392,000	392,000	418,457	26,457
Total Revenues	158,739,785	158,739,785	161,254,846	2,515,061
Expenditures				
Instruction				
Regular instruction	69,296,429	65,765,256	67,348,121	(1,582,865)
Vocational instruction	3,610,066	3,686,407	3,635,445	50,962
Other instruction	10,971,641	11,046,907	10,962,390	84,517
Total Instruction	83,878,136	80,498,570	81,945,956	(1,447,386)
Support Services				
Pupil services	4,533,891	4,801,951	4,721,196	80,755
Instructional staff services	6,296,174	7,533,573	7,817,868	(284,295)
General administration services	1,152,428	1,184,677	1,213,322	(28,645)
School administration services	8,387,098	8,509,090	8,613,089	(103,999)
Business services	1,185,039	1,183,962	1,102,412	81,550
Operations and maintenance of plant	15,271,058	15,299,532	17,457,251	(2,157,719)
Pupil transportation services	2,675,909	2,688,802	2,826,658	(137,856)
Central services	5,595,490	5,683,013	5,412,607	270,406
Insurance	987,291	987,291	993,432	(6,141)
Other support services	4,306,316	4,316,386	3,914,332	402,054
Total Support Services	50,390,694	52,188,277	54,072,167	(1,883,890)
Debt Service				
Principal	1,100,000	1,100,000	1,082,965	17,035
Interest	51,500	51,500	44,107	7,393
Total Debt Service	1,151,500	1,151,500	1,127,072	24,428
Non-program				
General tuition payments	3,497,700	3,497,700	4,019,973	(522,273)
Adjustments and refunds	51,900	51,900	39,574	12,326
Total Non-program	3,549,600	3,549,600	4,059,547	(509,947)
Total Expenditures	138,969,930	137,387,947	141,204,742	(3,816,795)
Excess of Revenues Over Expenditures	19,769,855	21,351,838	20,050,104	(1,301,734)
Other Financing Sources (Uses)				
Sale of capital assets	156,500	156,500	160,592	4,092
Transfers out	(19,926,733)	(19,926,733)	(19,182,744)	743,989
Total Other Financing Sources (Uses)	(19,770,233)	(19,770,233)	(19,022,152)	748,081
Net Change in Fund Balance	(378)	1,581,605	1,027,952	(553,653)
Fund Balance - July 1	17,886,333	17,886,333	17,886,333	-
Fund Balance - June 30	\$ 17,885,955	\$ 19,467,938	\$ 18,914,285	\$ (553,653)

See Notes to Required Supplementary Information.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other local sources	\$ -	\$ -	\$ 13,618	\$ 13,618
Interdistrict sources	50,000	50,000	73,506	23,506
Intermediate sources	15,400	15,400	15,996	596
State sources	6,472,007	6,472,007	6,657,176	185,169
Federal sources	3,770,627	3,770,627	3,368,033	(402,594)
Total Revenues	10,308,034	10,308,034	10,128,329	(179,705)
Expenditures				
Instruction				
Regular instruction	5,960	5,960	932	5,028
Vocational instruction	(600)	-	9,771	(9,771)
Special education instruction	22,587,519	22,728,008	21,902,603	825,405
Other instruction	103,722	103,722	91,119	12,603
Total Instruction	22,696,601	22,837,690	22,004,425	833,265
Support Services				
Pupil services	3,923,806	3,932,701	3,971,356	(38,655)
Instructional staff services	1,019,011	1,096,827	983,803	113,024
General administration services	200	200	-	200
Business services	36,000	36,000	45,284	(9,284)
Operations and maintenance of plant	16,325	16,325	15,641	684
Pupil transportation services	2,072,349	2,072,349	1,878,243	194,106
Central services	11,750	11,750	10,867	883
Total Support Services	7,079,441	7,166,152	6,905,194	260,958
Non-program				
Special education tuition payments	445,375	514,375	397,840	116,535
Total Expenditures	30,221,417	30,518,217	29,307,459	1,210,758
Excess of Revenues Over (Under)				
Expenditures	(19,913,383)	(20,210,183)	(19,179,130)	1,031,053
Other Financing Sources				
Transfers in	19,926,733	19,926,733	19,179,130	(747,603)
Net Change in Fund Balance	13,350	(283,450)	-	283,450
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ 13,350	\$ (283,450)	\$ -	\$ 283,450

See Notes to Required Supplementary Information.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Schedule of Employer Contributions
Other Post-Employment Benefit Plan
For the Year Ended June 30, 2015

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2014	4,219,784	3,836,706	109.98%
2015	3,847,051	3,743,199	102.77%

See Notes to Required Supplementary Information.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Funding Progress
 Other Post-Employment Benefit Plan
 For the Year Ended June 30, 2015

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)
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A
2013	\$ -	\$ 44,945,198 (a)	0.00%	\$ 44,945,198	N/A	N/A

(a) Plan eligibility and District contribution has been revised as described in Note C2(a) in the notes to the basic financial statements.

See Notes to Required Supplementary Information.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Proportionate Share of the Net Pension Asset
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.63069221%
Proportionate share of the net pension asset	\$ 15,491,526
Covered-employee payroll	\$ 87,953,382
Plan fiduciary net position as a percentage of the total pension asset	102.74%

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

See Notes to Required Supplementary Information.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015
Contractually required contributions	\$ 6,156,737
Contributions in relation to the contractually required contributions	\$ 6,156,737
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 87,953,382
Contributions as a percentage of covered-employee payroll	7.00%

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

See Notes to Required Supplementary Information.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 and 71

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - *An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. 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, 2015.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

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)	\$ 161,254,846	\$ 10,128,329
Reclassification of special education	10,128,329	(10,128,329)
Total Revenues	<u>171,383,175</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	141,204,742	29,307,459
Reclassification of special education	29,307,459	(29,307,459)
Total Expenditures	<u>170,512,201</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	20,050,104	(19,179,130)
Reclassification of special education	(19,179,130)	19,179,130
Excess of Revenues Over (Under) Expenditures	<u>870,974</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(19,022,152)	19,179,130
Reclassification of special education	19,179,130	(19,179,130)
Total Other Financing Sources (Uses)	<u>156,978</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	1,027,952	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>17,886,333</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 18,914,285</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

(With summarized financial information as of June 30, 2014)

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
ASSETS				
Cash and investments	\$ 43,599	\$ -	\$ 5,743	\$ -
Due from other funds	897,728	-	676,199	742,312
Due from other governments	-	3,756	425,530	-
TOTAL ASSETS	\$ 941,327	\$ 3,756	\$ 1,107,472	\$ 742,312
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 408	\$ -	\$ 213,845	\$ 224,098
Accrued payroll liabilities	-	-	108,238	-
Due to other funds	-	3,756	-	-
Total Liabilities	408	3,756	322,083	224,098
Fund Balances				
Nonspendable	35,160	-	-	-
Restricted	905,759	-	785,389	-
Unrestricted				
Assigned	-	-	-	518,214
Total Fund Balances	940,919	-	785,389	518,214
TOTAL LIABILITIES AND FUND BALANCES	\$ 941,327	\$ 3,756	\$ 1,107,472	\$ 742,312

Debt Service Funds		Capital Project Fund	Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Capital Expansion Fund	2015	2014
\$ 78,340	\$ 3,718,943	\$ 4,915	\$ 3,851,540	\$ 3,580,443
-	3,564	960,286	3,280,089	1,066,285
-	-	-	429,286	12,063
<u>\$ 78,340</u>	<u>\$ 3,722,507</u>	<u>\$ 965,201</u>	<u>\$ 7,560,915</u>	<u>\$ 4,658,791</u>

\$ -	\$ -	\$ 134,063	\$ 572,414	\$ 188,632
-	-	-	108,238	-
11,435	3,564	-	18,755	19,612
<u>11,435</u>	<u>3,564</u>	<u>134,063</u>	<u>699,407</u>	<u>208,244</u>

-	-	-	35,160	35,160
66,905	3,718,943	831,138	6,308,134	4,415,387
-	-	-	518,214	-
<u>66,905</u>	<u>3,718,943</u>	<u>831,138</u>	<u>6,861,508</u>	<u>4,450,547</u>
<u>\$ 78,340</u>	<u>\$ 3,722,507</u>	<u>\$ 965,201</u>	<u>\$ 7,560,915</u>	<u>\$ 4,658,791</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, 2015
(With summarized financial information for the year ended June 30, 2014)

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 1,467,000
Other local sources	122,028	-	1,974,708	24,124
State sources	-	-	98,299	-
Federal sources	-	21,861	3,726,669	-
Other sources	-	-	300,915	-
Total Revenues	122,028	21,861	6,100,591	1,491,124
Expenditures				
Instruction				
Regular instruction	72,488	20,142	-	-
Vocational instruction	-	-	-	-
Other instruction	31,552	-	-	-
Total Instruction	104,040	20,142	-	-
Support Services				
Pupil services	300,000	-	-	-
Instructional staff services	40,419	669	-	-
Operations and maintenance of plant	44	-	-	-
Pupil transportation services	2,882	1,050	-	-
Food services	-	-	6,268,815	-
Central services	2,367	-	-	-
Community services	-	-	-	1,333,640
Principal	-	-	-	-
Interest	-	-	-	-
Total Support Services	345,712	1,719	6,268,815	1,333,640
Total Expenditures	449,752	21,861	6,268,815	1,333,640
Excess of Revenues Over (Under) Expenditures	(327,724)	-	(168,224)	157,484
Other Financing Sources (Uses)				
Debt refinancing expenditure and issuance costs	-	-	-	-
Long-term debt issued	-	-	-	-
Premium and accrued interest from debt transactions	-	-	-	-
Transfers in	777,564	-	953,613	1,138,294
Transfers out	-	-	-	(777,564)
Total Other Financing Sources (Uses)	777,564	-	953,613	360,730
Net Change in Fund Balances	449,840	-	785,389	518,214
Fund Balances - July 1	491,079	-	-	-
Fund Balances - June 30	\$ 940,919	\$ -	\$ 785,389	\$ 518,214

Debt Service Funds		Capital Project Fund	Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Capital Expansion Fund	2015	2014
\$ 2,610,970	\$ 3,338,981	\$ 2,460,000	\$ 9,876,951	\$ 5,429,601
85	2,925	2	2,123,872	263,896
-	-	-	98,299	-
-	-	-	3,748,530	22,434
91,823	-	-	392,738	91,130
<u>2,702,878</u>	<u>3,341,906</u>	<u>2,460,002</u>	<u>16,240,390</u>	<u>5,807,061</u>
-	-	-	92,630	124,293
-	-	-	-	1,500
-	-	-	31,552	30,045
-	-	-	<u>124,182</u>	<u>155,838</u>
-	-	-	300,000	1,320
-	-	-	41,088	17,547
-	-	2,061,964	2,062,008	403,331
-	-	-	3,932	3,159
-	-	-	6,268,815	-
-	-	-	2,367	172
-	-	-	1,333,640	-
2,420,000	1,875,000	-	4,295,000	4,180,000
327,210	1,166,708	-	1,493,918	1,067,479
<u>2,747,210</u>	<u>3,041,708</u>	<u>2,061,964</u>	<u>15,800,768</u>	<u>5,673,008</u>
<u>2,747,210</u>	<u>3,041,708</u>	<u>2,061,964</u>	<u>15,924,950</u>	<u>5,828,846</u>
<u>(44,332)</u>	<u>300,198</u>	<u>398,038</u>	<u>315,440</u>	<u>(21,785)</u>
-	-	-	-	(6,976,166)
-	-	-	-	6,330,000
-	-	-	-	651,466
3,614	-	-	2,873,085	-
-	-	-	(777,564)	-
<u>3,614</u>	<u>-</u>	<u>-</u>	<u>2,095,521</u>	<u>5,300</u>
<u>(40,718)</u>	<u>300,198</u>	<u>398,038</u>	<u>2,410,961</u>	<u>(16,485)</u>
<u>107,623</u>	<u>3,418,745</u>	<u>433,100</u>	<u>4,450,547</u>	<u>4,467,032</u>
<u>\$ 66,905</u>	<u>\$ 3,718,943</u>	<u>\$ 831,138</u>	<u>\$ 6,861,508</u>	<u>\$ 4,450,547</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Pupil Activity Fund
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2015

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
ASSETS				
Cash	\$ 1,871,391	\$ 4,291,100	\$ 4,036,481	\$ 2,126,010
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 1,250,425	\$ 3,111,625	\$ 2,972,671	\$ 1,389,379
Middle schools	238,272	402,354	371,300	269,326
Elementary schools	382,694	777,121	692,510	467,305
TOTAL LIABILITIES	\$ 1,871,391	\$ 4,291,100	\$ 4,036,481	\$ 2,126,010

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

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

To the Board of Education
Appleton Area School District
Appleton, 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 the Appleton Area School District, as of and for the year ended June 30, 2015, 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 27, 2015.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Appleton Area School District's Response to Finding

Appleton Area School District's response to the finding 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 27, 2015

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**INDEPENDENT AUDITORS' 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**

To the Board of Education
Appleton Area School District
Appleton, 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 State of Wisconsin 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, 2015. 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 State of Wisconsin. 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, 2015.

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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

Appleton Area School District's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on it.

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 27, 2015

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
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U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster

School Breakfast Program		10.553
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Donated Commodities 14-15	WI Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Summer Food Service Program for Children		10.559
July 1, 2010 - June 30, 2011	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Child Nutrition Cluster		
Team Nutrition Grant		
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	10.574
Fresh Fruit & Vegetable Program		
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	10.582
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	

TOTAL U.S. DEPARTMENT OF AGRICULTURE

U.S. DEPARTMENT OF EDUCATION

Title I, Part A Cluster

Title I-A - Grants to Local Educational Agencies		84.010
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Title I-A - Grants to Local Educational Agencies - Delinquent		84.010
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Title I-A - Grants to Local Educational Agencies - Reservation		84.010
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Title I Focus School Grant		84.010
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Academic Parent Reacher Program - Teams Pilot Schools Grant		
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.010
Total Title I, Part A Cluster		

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/14	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Revenue	Expenditures
\$ (91,130)	\$ 91,130	\$ -	\$ -	\$ -
-	491,894	89,897	581,791	581,791
(331,424)	331,424	-	-	-
-	2,258,800	322,075	2,580,875	2,580,875
-	381,022	-	381,022	381,022
<u>(331,424)</u>	<u>2,971,246</u>	<u>322,075</u>	<u>2,961,897</u>	<u>2,961,897</u>
(253)	253	-	-	-
-	1,189	-	1,189	1,189
-	-	-	-	-
-	91,319	-	91,319	91,319
<u>(422,807)</u>	<u>3,647,031</u>	<u>411,972</u>	<u>3,636,196</u>	<u>3,636,196</u>
(2,408)	2,408	-	-	-
(19,786)	19,786	-	-	-
-	76,915	13,558	90,473	90,473
<u>(445,001)</u>	<u>3,746,140</u>	<u>425,530</u>	<u>3,726,669</u>	<u>3,726,669</u>
(249,804)	249,804	-	-	-
-	873,434	364,696	1,238,130	1,238,130
(881)	881	-	-	-
-	294	-	294	294
(132,935)	132,935	-	-	-
-	728,982	157,537	886,519	886,519
(3,934)	3,934	-	-	-
-	12,248	1,273	13,521	13,521
-	-	10,018	10,018	10,018
<u>(387,554)</u>	<u>2,002,512</u>	<u>533,524</u>	<u>2,148,482</u>	<u>2,148,482</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2015

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>		
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States - Flow Thru July 1, 2013 - June 30, 2014	WI Department of Public Instruction	84.027
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Special Education - Grants to States - Flow Thru EIS July 1, 2013 - June 30, 2014	WI Department of Public Instruction	84.027
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Special Education - Grants to States - High Cost July 1, 2010 - June 30, 2011	WI Department of Public Instruction	84.027
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
IDEA - Discretionary July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.027
Total Special Education - Grants to States		
Special Education - Preschool Grants July 1, 2013 - June 30, 2014	WI Department of Public Instruction	84.173
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Special Education - Preschool Grants		
Career and Technical Education - Basic Grants to States July 1, 2013 - June 30, 2014	WI Department of Public Instruction	84.048
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Career and Technical Education - Basic Grants to States		
School Climate Transformation July 1, 2014 - June 30, 2015	Direct Program	84.184G
Indian Education - Grants to Local Educational Agencies July 1, 2013 - June 30, 2014	Direct Program	84.060A
July 1, 2014 - June 30, 2015	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, 2013 - June 30, 2014	WI Department of Public Instruction	84.196
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Education of Homeless Children & Youth Cluster		

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/14	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Revenue	Expenditures
(563,185)	563,185	-	-	-
-	1,923,882	603,259	2,527,141	2,527,141
(98,538)	98,538	-	-	-
-	370,688	114,492	485,180	485,180
-	-	-	-	-
-	48,618	-	48,618	48,618
-	411	2,355	2,766	2,766
(661,723)	3,005,322	720,106	3,063,705	3,063,705
(29,824)	29,824	-	-	-
-	91,839	28,082	119,921	119,921
(29,824)	121,663	28,082	119,921	119,921
(17,898)	17,898	-	-	-
-	84,022	29,806	113,828	113,828
(17,898)	101,920	29,806	113,828	113,828
-	305,936	99,405	405,341	405,341
(12,063)	12,063	-	-	-
-	18,105	3,756	21,861	21,861
(12,063)	30,168	3,756	21,861	21,861
(12,393)	12,393	-	-	-
-	38,355	11,635	49,990	49,990
(12,393)	50,748	11,635	49,990	49,990

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2015

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION (Continued)		
Charter Schools		84.282
Appleton Technical Academy		
August 1, 2013 - July 31, 2014	WI Department of Public Instruction	
August 1, 2014 - July 31, 2015		
Total Charter Schools		
21st Century Community Learning Centers		84.287
Multi-School		
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Foster		
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Roosevelt		
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Johnston		
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total 21st Century Community Learning Centers		
Title III-A - English Language Acquisition Grants		84.365
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Title III-A - English Language Acquisition Grants		
Title II-A - Improving Teacher Quality		84.367
July 1, 2013 - June 30, 2014	WI Department of Public Instruction	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Total Title II-A - Improving Teacher Quality		

TOTAL U.S. DEPARTMENT OF EDUCATION

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/14	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Revenue	Expenditures
(13,682)	13,682	-	-	-
-	217,572	5,992	223,564	223,564
(13,682)	231,254	5,992	223,564	223,564
(4,954)	4,954	-	-	-
-	300,000	-	300,000	300,000
(4,115)	4,115	-	-	-
-	70,119	29,881	100,000	100,000
(20,579)	20,579	-	-	-
-	50,000	-	50,000	50,000
(38,666)	38,666	-	-	-
-	75,052	24,917	99,969	99,969
(68,314)	563,485	54,798	549,969	549,969
(48,661)	48,661	-	-	-
-	161,167	34,285	195,452	195,452
(48,661)	209,828	34,285	195,452	195,452
(97,990)	97,990	-	-	-
-	273,575	94,839	368,414	368,414
(97,990)	371,565	94,839	368,414	368,414
(1,350,102)	6,994,401	1,616,228	7,260,527	7,260,527

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2015

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Medical Assistance Program - School Based Services		93.778
July 1, 2013 - June 30, 2014	WI Department of Health Services	
July 1, 2014 - June 30, 2015	WI Department of Health Services	
Total Medical Assistance Program - School Based Services		
Center for Disease Control		93.938
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	
Project Aware - CommUNITY of Hope		
July 1, 2014 - June 30, 2015	Direct Program	N/A
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 7/1/14	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Revenue	Expenditures
(27,957)	27,957	-	-	-
-	1,273,786	70,708	1,344,494	1,344,494
<u>(27,957)</u>	<u>1,301,743</u>	<u>70,708</u>	<u>1,344,494</u>	<u>1,344,494</u>
3,292	1,408	(1,882)	2,818	2,818
-	29,899	11,192	-	-
<u>-</u>	<u>29,899</u>	<u>11,192</u>	<u>41,091</u>	<u>41,091</u>
<u>(24,665)</u>	<u>1,333,050</u>	<u>80,018</u>	<u>1,388,403</u>	<u>1,388,403</u>
<u>\$ (1,819,768)</u>	<u>\$ 12,073,591</u>	<u>\$ 2,121,776</u>	<u>\$ 12,375,599</u>	<u>\$ 12,375,599</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of State Financial Assistance
 For the Year Ended June 30, 2015

Grantor Agency/State Program Title	Pass Through Agency	State I.D. Number
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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
Handicapped pupils and school age parents	CESA #6	255.101
Handicapped pupils and school age parents	CCDEB	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
Wisconsin's Movin' Schools	Direct Program	255.345
4K Grant	Direct Program	255.360
Tuition Payment	Direct Program	255.401
Student Achievement Guarantee in Education	Direct Program	255.504
Per Pupil Adjustment Aid	Direct Program	255.925
Educator Effectiveness Grant	Direct Program	255.940
Career and Technical Education Incentive Grant	Direct Program	255.950
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 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

\$	(6,601)	\$	30,139	\$	1,461	\$	24,999	\$	24,999
	-		3,000		-		3,000		3,000
	(6,601)		33,139		1,461		27,999		27,999

-	6,577,899	-	6,577,899	6,577,899					
-	7,264	-	7,264	7,264					
-	8,732	-	8,732	8,732					
-	60,364	-	60,364	60,364					
-	684,297	-	684,297	684,297					
-	340,764	-	340,764	340,764					
-	103,965	-	103,965	103,965					
-	1,927	-	1,927	1,927					
(1,424,270)	82,136,238	1,443,202	82,155,170	82,155,170					
-	79,277	-	79,277	79,277					
-	36,008	-	36,008	36,008					
-	750	-	750	750					
-	842,828	-	842,828	842,828					
-	26,632	-	26,632	26,632					
-	1,432,082	-	1,432,082	1,432,082					
-	2,190,225	-	2,190,225	2,190,225					
-	98,160	-	98,160	98,160					
-	23,000	-	23,000	23,000					
(1,424,270)	94,650,412	1,443,202	94,669,344	94,669,344					
(1,424,270)	94,650,412	1,443,202	94,669,344	94,669,344					
\$	(1,430,871)	\$	94,683,551	\$	1,444,663	\$	94,697,343	\$	94,697,343

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, 2015

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 2014-2015 eligible costs under the State Special Education Program as reported by the District are \$25,302,525.

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, 2015

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
84.010	Title I, Part A Cluster
84.184G	School Climate Transformation
84.287	21st Century Community Learning Centers
93.778	Medical Assistance Program - School Based Services

Identification of major state programs:

State ID	Name of State Programs
255.101	State Special Education
255.107	Pupil Transportation
255.201	Equalization Aids
255.925	Per Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B programs:	
Federal Awards	\$371,268
State Financial Assistance	\$100,000
Auditee qualified as low-risk auditee	Yes

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
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2015-001 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 assist in the preparation of 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. 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, 2015

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

Finding No.	Internal Control and Compliance Deficiencies
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2015-002 Pupil Transportation

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 classification variances on the FY 2014-2015 Pupil Transportation report for the year ended June 30, 2015. A comparison of the totals reported to DPI and the District's transportation lists showed that certain categories were not in agreement. The Regular School Under 90 day 0-2 mile category was over-reported by one student. The Regular School Over 90 day 0-2 mile category was under-reported by four students and the 2-5 mile category was over-reported by three students. Reliable source documentation was not retained to support all pupils transported for summer school.

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 or over 90 days should be properly classified.

Cause: The Transportation Manager works with the bus company to determine the distance and routes for enrolled students. The bus company will take attendance twice per year to verify whether students are riding the bus. At the end of the school year, the Transportation Manager uses the information from the bus company and the school attendance records to consolidate the numbers and submits the report to the DPI.

Effect: The District received state pupil transportation aid for students that were reported in categories not completely accurate.

Recommendation: We recommend the District provide additional training to employees to agree the reported and actual students transported prior to submission of the transportation claim. We also recommend that all source documentation be retained.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2015

Section IV - Other Issues

Does the auditors' report or 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	_____ No
Department of Health Services	_____ 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 27, 2015

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2015

Prior Year Audit Findings

All findings noted in the 2014 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 2014-001 outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by Schenck prior to issuance.

For finding 2014-002, management and staff are in the process of developing procedures in an effort to accurately report transportation information to the Department of Public Instruction. Several issues with the process still remain and are noted in finding 2015-002.

Corrective Action Plan

Finding No.	Corrective Action Plan
2015-001	<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>
2015-002	<p>Pupil Transportation</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 student counts.</p>

Additional Response

Christina Peterson, Controller is the contact person for the District. Chris performs the following mitigating controls:

1. Reviews and approves all adjusting entries proposed by the auditor.
2. Compares final adjusted trial balance with audited financial statements.
3. Compares the schedule of expenditures of federal awards and state financial assistance to:
 - a. Final adjusted trial balance
 - b. Submitted final reimbursement claims
 - c. State payment register and DPI website