

**APPLETON AREA SCHOOL DISTRICT
APPLETON, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

June 30, 2017

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13 - 14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15 - 16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17 - 18
Statement of Net Position - Fiduciary Funds	19
Statement of Changes in Net Position - Fiduciary Funds	20
Notes to Basic Financial Statements	21 - 44
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	46
Schedule of Employer Contributions - Other Post-employment Benefit Plan	47
Schedule of Funding Progress - Other Post-employment Benefit Plan	48
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System	49
Schedule of Contributions - Wisconsin Retirement System	49
Notes to Required Supplementary Information	50 - 51
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	52 - 53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	54 - 55
Schedule of Changes in Assets and Liabilities - Pupil Activity Fund	56
Schedule of Charter School Authorizer Costs	57 - 58

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

June 30, 2017

Table of Contents

	<u>Page No.</u>
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 <i>Government Auditing Standards</i>	59 - 60
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 the Uniform Guidance and the <i>State Single Audit Guidelines</i>	61 - 62
Schedule of Expenditures of Federal Awards	63 - 64
Schedule of State Financial Assistance	65 - 66
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	67
Schedule of Findings and Questioned Costs	68 - 71
Schedule of Prior Year Audit Findings and Corrective Action Plan	72

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

Management's Responsibility for the Financial Statements

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

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 45 through 49 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 schedule 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 2016 financial statements, and our report dated January 11, 2017, expressed unmodified opinions on those respective financial statements of the governmental 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, 2016, 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 29, 2017, 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 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



Appleton Area School District

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

Management's Discussion and Analysis June 30, 2017

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, 2017. 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

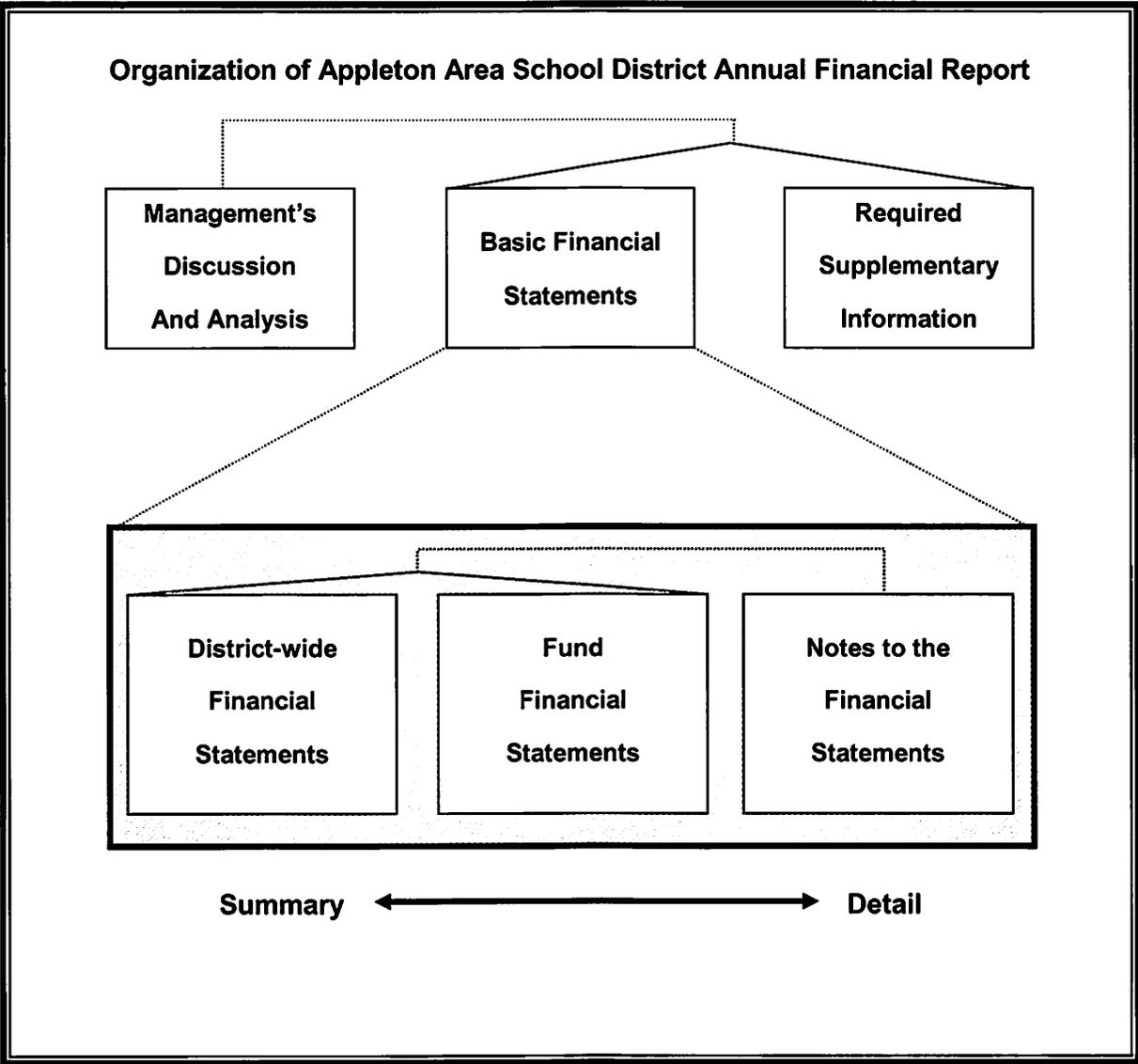
- Spending restraint was demonstrated in several general fund categories including capital projects, technology purchases and educational and administrative staffing.
- Fund Balance in the general fund increased by \$4,202,343.

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 district-wide statements report the district's net position and how it has changed. Governmental activities are financed mostly with property taxes and state formula aid. 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.

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 two kinds of funds:

- *Governmental funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for 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.
- *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	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	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 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
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 short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow 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 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, 2017 than it was the year before.

Figure A-1 Condensed Statement of Net Position		
	<u>2017</u>	<u>2016</u>
	Governmental Activities	Governmental Activities
Current and other assets	\$ 64,266,699	\$ 56,347,508
Capital assets	87,810,903	84,731,055
Total Assets	152,077,602	141,078,563
Deferred Outflows of Resources		
Deferred charges	587,066	727,853
Deferred outflows related to pension	37,150,158	54,295,369
	37,737,224	55,023,222
Long-term obligations	88,493,149	99,210,376
Other liabilities	23,810,669	20,162,263
Total Liabilities	112,303,818	119,372,639
Deferred Inflows of Resources	16,255,554	21,504,043
Net Position		
Net investment in capital assets	48,280,903	42,316,055
Restricted	11,224,066	11,916,387
Unrestricted	1,750,485	992,661
Total Net Position	\$ 61,255,454	\$ 55,225,103

The District's total net position increased to \$61,255,454 in 2016-2017. This is an increase of \$6,030,351. Total revenues were \$195,318,177, an increase of \$2,314,427, primarily due to an increase in state aids. Total cost of programs and services of \$189,287,826 was an increase of \$5,551,005.

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.

	2017 Governmental Activities	2016 Governmental Activities
Revenues		
Program Revenues		
Charges for services	\$ 12,881,981	\$ 12,806,078
Operating grants and contributions	23,174,602	22,309,623
General Revenues		
Property taxes	65,738,768	68,239,203
State formula aid	92,371,097	87,256,273
Other	1,151,729	2,392,573
Total Revenues	195,318,177	193,003,750
Expenses		
Instruction	110,768,201	107,807,426
Support Services	65,979,077	62,382,924
Community services	931,284	1,373,576
Interest on debt	1,409,667	1,570,909
Non-Program	6,172,657	6,269,692
Depreciation - unallocated	4,026,940	4,332,294
Total Expenses	189,287,826	183,736,821
Increase (Decrease) in Net Position	\$ 6,030,351	\$ 9,266,929

- The change in net position over the past year was an increase in net position of \$6,030,351. The overall increase resulted from the sum of the increase in net position (chart above).

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.
- The cost of all *governmental* activities this year was \$189,287,826.
- The users of the district's programs financed some of the cost. (6.8%).
- The federal and state governments subsidized certain programs with grants and contributions. (12.4%).
- The remaining portion of governmental activities was financed with \$65,738,768 in property taxes and \$92,371,097 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 \$27,796,255 plus the total fund balance of all governmental funds of \$40,879,538. As the district completed the year, its governmental activities reported combined net position of \$61,255,454.

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 a decrease of \$41,668 in the budgeted net change in fund balance. Actual results were substantially better than budget.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2016-17 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 \$4,026,940.

Figure A-3 Capital Assets	2017 Governmental Activities	2016 Governmental Activities
Land	\$ 7,593,005	\$ 7,593,005
Buildings	145,150,449	140,131,345
Machinery and equipment	8,952,946	24,452,630
Accumulated depreciation	(73,885,497)	(87,445,925)
Total	\$ 87,810,903	\$ 84,731,055

Long-Term Obligations

At year-end, the district had \$41,610,000 in general obligation bonds and notes as well as \$41,727,565 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.)

Figure A-4 Outstanding Long-term Obligations		
	2017 Total District	2016 Total District
General obligation debt	\$ 41,610,000	\$ 45,115,000
Other	46,883,149	54,095,376
Total	\$ 88,493,149	\$ 99,210,376

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, 2017

(With summarized financial information as of June 30, 2016)

	Governmental Activities		Component Unit
	2017	2016	Wisconsin Connections Academy
ASSETS			
Current Assets			
Cash and investments	\$ 45,507,852	\$ 35,216,021	\$ 55,209
Receivables			
Taxes	13,681,956	14,380,355	-
Accounts	305,085	236,606	-
Due from other governments	4,771,806	6,514,526	-
Total Current Assets	64,266,699	56,347,508	55,209
Capital Assets			
Land	7,593,005	7,593,005	-
Buildings and improvements	145,150,449	140,131,345	-
Machinery and equipment	8,952,946	24,452,630	-
Less: Accumulated depreciation	(73,885,497)	(87,445,925)	-
Total Capital Assets, net of accumulated depreciation	87,810,903	84,731,055	-
TOTAL ASSETS	152,077,602	141,078,563	55,209
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	587,066	727,853	-
Deferred outflows related to pension	37,150,158	54,295,369	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,737,224	55,023,222	-
LIABILITIES			
Current liabilities			
Accounts payable	4,627,100	1,881,090	-
Accrued payroll liabilities	18,757,824	17,827,195	-
Accrued interest payable	423,508	451,512	-
Unearned revenues	2,237	2,466	-
Total Current Liabilities	23,810,669	20,162,263	-
Long-term obligations			
Due within one year	3,863,897	3,850,680	-
Due in more than one year	41,890,345	45,878,788	-
Other post-employment benefits liability	37,583,323	39,293,529	-
Net pension liability	5,155,584	10,187,379	-
TOTAL LIABILITIES	112,303,818	119,372,639	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	16,255,554	21,504,043	-
NET POSITION			
Net investment in capital assets	48,280,903	42,316,055	-
Restricted for			
Debt service	3,330,993	3,326,705	-
Trust fund	966,222	928,328	-
Capital improvements	4,923,245	5,914,877	-
Food service	2,003,606	1,746,477	-
Unrestricted	1,750,485	992,661	55,209
TOTAL NET POSITION	\$ 61,255,454	\$ 55,225,103	\$ 55,209

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, 2017
 (With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 110,768,201	\$ 11,094,545	\$ 11,462,591
Support services	65,979,077	1,766,939	10,060,191
Community services	931,284	20,497	9,000
Interest on debt	1,409,667	-	-
Non-program	6,172,657	-	1,642,820
Depreciation - unallocated	4,026,940	-	-
Total Governmental Activities	<u>189,287,826</u>	<u>12,881,981</u>	<u>23,174,602</u>
Component Unit Activities			
Wisconsin Connections Academy	21,300	9,700	-
Total School District	<u>\$ 189,309,126</u>	<u>\$ 12,891,681</u>	<u>\$ 23,174,602</u>

General revenues

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

Change in net position

Net position - July 1

Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position		Component Unit
Governmental Activities		Wisconsin Connections Academy
2017	2016	

\$ (88,211,065)	\$ (86,248,361)	\$ -
(54,151,947)	(49,858,482)	-
(901,787)	(1,351,414)	-
(1,409,667)	(1,570,909)	-
(4,529,837)	(5,259,660)	-
(4,026,940)	(4,332,294)	-
<u>(153,231,243)</u>	<u>(148,621,120)</u>	-
-	-	(11,600)
<u>(153,231,243)</u>	<u>(148,621,120)</u>	<u>(11,600)</u>
56,882,016	59,317,331	-
4,743,840	4,741,712	-
2,460,000	2,460,000	-
1,650,500	1,467,000	-
2,412	253,160	-
92,371,097	87,256,273	-
140,603	22,467	180
575,094	892,182	-
436,032	1,477,924	3,127
<u>159,261,594</u>	<u>157,888,049</u>	<u>3,307</u>
6,030,351	9,266,929	(8,293)
<u>55,225,103</u>	<u>45,958,174</u>	<u>63,502</u>
<u>\$ 61,255,454</u>	<u>\$ 55,225,103</u>	<u>\$ 55,209</u>

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	General	Other Governmental Funds	Total Governmental Funds	
			2017	2016
ASSETS				
Cash and investments	\$ 40,521,410	\$ 4,986,442	\$ 45,507,852	\$ 35,216,021
Receivables				
Taxes	13,681,956	-	13,681,956	14,380,355
Accounts	297,045	8,040	305,085	236,606
Due from other funds	593,202	9,776,284	10,369,486	7,216,767
Due from other governments	4,209,510	562,296	4,771,806	6,514,526
TOTAL ASSETS	\$ 59,303,123	\$ 15,333,062	\$ 74,636,185	\$ 63,564,275
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,542,424	\$ 2,084,676	\$ 4,627,100	\$ 1,881,090
Accrued payroll liabilities	18,595,871	161,953	18,757,824	17,827,195
Due to other funds	10,366,336	3,150	10,369,486	7,216,767
Unearned revenues	2,237	-	2,237	2,466
Total Liabilities	31,506,868	2,249,779	33,756,647	26,927,518
Fund Balances				
Nonspendable	-	43,599	43,599	35,160
Restricted	-	11,647,574	11,647,574	12,367,899
Assigned	23,484,840	1,392,110	24,876,950	22,547,139
Unassigned	4,311,415	-	4,311,415	1,686,559
Total Fund Balances	27,796,255	13,083,283	40,879,538	36,636,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,303,123	\$ 15,333,062	\$ 74,636,185	\$ 63,564,275

(Continued)

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2017
 (With summarized financial information as of June 30, 2016)

<u>Reconciliation to the Statement of Net Position</u>	2017	2016
Total Fund Balances as shown on the previous page	\$ 40,879,538	\$ 36,636,757
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.	87,810,903	84,731,055
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 liability	(5,155,584)	(10,187,379)
Deferred outflows of resources	37,150,158	54,295,369
Deferred inflows of resources	(16,255,554)	(21,504,043)
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	\$(41,610,000)	
Bond premium	(1,296,307)	
Post-employment health benefits payable	(37,583,323)	
Compensated absences	(2,847,935)	
Accrued interest on long-term obligations	(423,508)	
Deferred charges on advance refunding	587,066	(83,174,007)
	<u>587,066</u>	<u>(88,746,656)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 12)	<u>\$ 61,255,454</u>	<u>\$ 55,225,103</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, 2017
(With summarized financial information for the year ended June 30, 2016)

	General	Other Governmental Funds	Total Governmental Funds	
			2017	2016
Revenues				
Property taxes	\$ 56,882,016	\$ 8,854,340	\$ 65,736,356	\$ 67,986,043
Other local sources	1,455,907	2,288,451	3,744,358	4,121,316
Interdistrict sources	10,123,999	-	10,123,999	10,000,474
Intermediate sources	11,708	-	11,708	11,553
State sources	101,913,942	100,564	102,014,506	96,606,521
Federal sources	9,382,776	4,115,592	13,498,368	12,537,064
Other sources	175,159	432,701	607,860	1,733,390
Total Revenues	179,945,507	15,791,648	195,737,155	192,996,361
Expenditures				
Instruction				
Regular instruction	66,172,881	100,861	66,273,742	65,624,006
Vocational instruction	3,548,526	31,820	3,580,346	3,298,933
Special education instruction	24,236,031	2,000	24,238,031	22,804,601
Other instruction	11,631,910	16,507	11,648,417	11,287,287
Total Instruction	105,589,348	151,188	105,740,536	103,014,827
Support Services				
Pupil services	9,060,605	7,099	9,067,704	8,534,025
Instructional staff services	8,690,118	28,233	8,718,351	9,113,807
General administration services	1,933,827	-	1,933,827	1,103,823
School administration services	8,695,023	166,320	8,861,343	8,620,106
Business services	1,078,740	-	1,078,740	1,104,521
Operations and maintenance of plant	17,172,885	3,560,491	20,733,376	19,758,955
Pupil transportation services	5,092,537	4,786	5,097,323	4,692,063
Food services	-	6,293,236	6,293,236	5,019,635
Central services	7,301,272	87,058	7,388,330	4,968,623
Insurance	1,415,706	-	1,415,706	1,061,837
Other support services	3,696,498	14,558	3,711,056	4,230,381
Community services	-	563,465	563,465	1,366,997
Total Support Services	64,137,211	10,725,246	74,862,457	69,574,773
Debt Service				
Principal	-	3,505,000	3,505,000	5,527,787
Interest	15,026	1,373,192	1,388,218	1,529,786
Total Debt Service	15,026	4,878,192	4,893,218	7,057,573
Non-program				
General tuition payments	5,231,160	-	5,231,160	5,075,394
Special education tuition payments	931,072	-	931,072	1,087,387
Adjustments and refunds	10,425	-	10,425	106,911
Total Non-program	6,172,657	-	6,172,657	6,269,692
Total Expenditures	175,914,242	15,754,626	191,668,868	185,916,865
Excess of Revenues Over Expenditures	4,031,265	37,022	4,068,287	7,079,496
Other Financing Sources (Uses)				
Sale of capital assets	174,494	-	174,494	7,389
Transfers in	-	3,416	3,416	18,414
Transfers out	(3,416)	-	(3,416)	(18,414)
Total Other Financing Sources (Uses)	171,078	3,416	174,494	7,389
Net Change in Fund Balances	4,202,343	40,438	4,242,781	7,086,885
Fund Balances - July 1	23,593,912	13,042,845	36,636,757	29,549,872
Fund Balances - June 30	\$ 27,796,255	\$ 13,083,283	\$ 40,879,538	\$ 36,636,757

(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, 2017
 (With summarized financial information for the year ended June 30, 2016)

<u>Reconciliation to the Statement of Activities</u>	2017	2016
Net Change in Fund Balances from previous page	\$ 4,242,781	\$ 7,086,885
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	\$ 7,111,372	
Depreciation expense reported in the statement of activities	<u>(4,026,940)</u>	
Amount in which depreciation is less (greater) than capital outlays	3,084,432	817,226
Change in the net pension liability (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.	(6,864,927)	(6,372,731)
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. The book value of assets disposed:	(4,584)	(244,477)
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 by:	2,089,098	2,493,362
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:	3,505,000	5,527,787
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.	28,004	8,326
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>(49,453)</u>	<u>(49,449)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13-14)	<u>\$ 6,030,351</u>	<u>\$ 9,266,929</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
 Fiduciary Funds
 June 30, 2017
 (With summarized financial information as of June 30, 2016)

	Private Purpose Trust Fund	Agency Funds	Total Fiduciary Funds	
			2017	2016
ASSETS				
Cash and cash equivalents	\$ 138,536	\$ 2,161,839	\$ 2,300,375	\$ 2,387,842
LIABILITIES				
Due to student organizations	\$ -	\$ 2,161,839	\$ 2,161,839	\$ 2,258,210
NET POSITION				
Restricted for Scholarships	138,536	-	138,536	129,632
TOTAL LIABILITIES AND NET POSITION	<u>\$ 138,536</u>	<u>\$ 2,161,839</u>	<u>\$ 2,300,375</u>	<u>\$ 2,387,842</u>

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, 2017
 (With summarized financial information for the year ended June 30, 2016)

	Private Purpose Trust Fund	
	2017	2016
ADDITIONS		
Other local sources	\$ 10,404	\$ 1,522
DEDUCTIONS		
Trust fund disbursements	1,500	-
Change in Net Position	8,904	1,522
Net Position - July 1	129,632	128,110
Net Position - June 30	<u>\$ 138,536</u>	<u>\$ 129,632</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, 2017

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, 2017. 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.

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 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. The District has no internal service funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports the following major governmental fund:

GENERAL FUND

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

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.

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 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.

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, 2017

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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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.

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

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 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 acquisition value at the date of donation.

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

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

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

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Compensated Absences

Prior to July 1, 2015, the District's policy allowed 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. Beginning July 1, 2015, employees are not able to use unused portions of sick time to pay group health insurance premiums. However, current employees were given a one-time option to convert unused sick time they had accumulated at July 1, 2015 into funds to pay health insurance premiums at retirement.

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 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, long-term debt and other long-term obligations are reported as liabilities in the 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported 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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISTRICT-WIDE 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, 2016, from which the summarized information was derived.

7. Reclassifications

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

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".

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$47,808,227 on June 30, 2017 as summarized below:

Deposits with financial institutions	\$ 27,016,217
Investments	
Wisconsin investment series cooperative	20,792,010
	\$ 47,808,227

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 45,507,852
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	138,536
Agency funds	2,161,839
	\$ 47,808,227

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

As of June 30, 2017, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

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

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aaa	Not Rated
Wisconsin Investment Series Cooperative	\$ 20,792,010	\$ -	\$ -	\$ -	\$ 20,792,010

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	\$ 20,792,010	\$ 20,792,010	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$20,792,010 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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

2. Property Taxes

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

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

3. Capital Assets

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

	Beginning Balance	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	140,131,345	5,450,934	431,830	145,150,449
Machinery and equipment	24,452,630	1,660,438	17,160,122	8,952,946
Subtotals	164,583,975	7,111,372	17,591,952	154,103,395
Less accumulated depreciation for:				
Buildings and improvements	65,350,124	3,527,730	431,830	68,446,024
Machinery and equipment	22,095,801	499,210	17,155,538	5,439,473
Subtotals	87,445,925	4,026,940	17,587,368	73,885,497
Total capital assets, being depreciated, net	77,138,050	3,084,432	4,584	80,217,898
Governmental activities capital assets, net	\$ 84,731,055	\$ 3,084,432	\$ 4,584	87,810,903
Less related long-term debt outstanding				39,530,000
Net investment in capital assets				<u>\$48,280,903</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2017 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 593,202	\$ 10,366,336
Special Revenue Funds		
Trust	968,023	-
Indian education	268	2,953
Food service	1,882,695	-
General community service	1,458,756	-
Debt Service Fund		
Non-referendum debt fund	-	122
Referendum debt fund	-	75
Capital Projects Funds		
Capital projects	788,027	-
Capital expansion	4,678,515	-
Totals	\$ 10,369,486	\$ 10,369,486

Interfund transfers for the year ended June 30, 2017 were as follows:

	Debt Service Fund
Transfers from:	
General Fund	\$ 3,416

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, 2017 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Taxable tax anticipation notes	\$ -	\$ 14,500,000	\$ 14,500,000	\$ -

Total interest paid during the year on short-term debt totaled \$15,026.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

6. Leases
 OPERATING LEASES

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

Year Ending June 30,	Amount
2018	\$ 684,804
2019	606,437
2020	320,873
2021	207,285
	<u>\$ 1,819,399</u>

Rent expense under all operating leases for the year ended June 30, 2017 amounted to \$655,242.

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Amount Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 39,805,000	\$ -	\$ 2,840,000	\$ 36,965,000	\$ 2,935,000
Notes	5,310,000	-	665,000	4,645,000	655,000
Total General Obligation Debt	45,115,000	-	3,505,000	41,610,000	3,590,000
Bond premium	1,387,641	-	91,334	1,296,307	91,335
Compensated absences	3,226,827	182,562	561,454	2,847,935	182,562
Governmental activities					
Long-term obligations	<u>\$ 49,729,468</u>	<u>\$ 182,562</u>	<u>\$ 4,157,788</u>	<u>\$ 45,754,242</u>	<u>\$ 3,863,897</u>

Total interest paid during the year on long-term debt totaled \$1,373,192.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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; \$\$365,000 due in 2018; interest 3.75%	\$	365,000
\$7,135,000 issued 7/16/12; \$95,000 to \$1,825,000 due annually through 2025; interest 2.0% to 2.3%		6,710,000
\$6,040,000 issued 7/16/12; \$655,000 to \$735,000 due annually through 2020; interest 1.4%-1.8% <i>(not capital asset related)</i>		2,080,000
\$29,075,000 issued 6/2/14; \$460,000 to \$2,350,000 due annually through 2034; interest 2.0% - 4.0%		27,810,000

Notes

\$2,000,000 issued 4/28/08; \$285,000 due in 2018; interest 4%		285,000
\$2,250,000 issued 8/30/10; \$370,000 to \$635,000 due annually through 2020; interest 4.40%		1,610,000
\$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>41,610,000</u>
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Annual principal and interest maturities of the outstanding general obligation debt of \$41,610,000 on June 30, 2017 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
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	3,885,000	904,298	4,789,298
2022	3,020,000	812,598	3,832,598
2023-2027	8,810,000	3,271,415	12,081,415
2028-2032	10,230,000	1,901,365	12,131,365
2033-2034	4,615,000	261,188	4,876,188
	<u>\$ 41,610,000</u>	<u>\$ 10,766,685</u>	<u>\$ 52,376,685</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Qualified School Construction Notes

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, 2017 was \$699,916,317 as follows:

Equalized valuation of the District		\$ 7,381,953,237
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		738,195,324
Total outstanding general obligation debt applicable to debt limitation	\$ 41,610,000	
Less: Amounts available for financing general obligation debt		
Debt service funds, less accrued interest	3,330,993	
Net outstanding general obligation debt applicable to debt limitation		38,279,007
Legal Margin for New Debt		\$ 699,916,317

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.

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

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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

The WRS also provides death and disability benefits for employees.

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
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%
2015	2.9%	2%
2016	0.5%	(5.0)%

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 \$5,956,482 in contributions from the District.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017, the District reported a liability (asset) of \$5,155,584 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (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, 2016, the District's proportion was 0.62549638%, which was a decrease of 0.00142671% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$13,276,109.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,965,825	\$ 16,213,865
Net differences between projected and actual earnings on pension plan investments	25,662,862	-
Changes in assumptions	5,390,362	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,906	41,689
Employer contributions subsequent to the measurement date	4,039,203	-
Total	\$ 37,150,158	\$ 16,255,554

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The \$4,039,203 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 12,040,735	\$ 5,193,981
2018	12,040,735	5,193,981
2019	9,868,220	5,183,257
2020	(847,995)	684,335
2021	9,260	-
Total	<u>\$ 33,110,955</u>	<u>\$ 16,255,554</u>

e. Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* *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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

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 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 67,825,008	\$ 5,155,584	\$ (43,012,712)

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://etf.wi.gov/publications/cafr.htm>.

f. **Payables to the Pension Plan**

At June 30, 2017, the District reported a payable of \$2,722,502 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

8. **Fund Equity**

Fund Statements

In the fund financial statements, portions of governmental fund balances are not available for expenditure. At June 30, 2017, nonspendable fund balance was as follows:

Trust Fund	
Legally required to remain intact	<u>\$ 43,599</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

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, 2017, fund balance restricted was as follows:

Special Revenue Funds	
Trust Fund	
Scholarships	\$ 966,222
Food Service	2,003,606
Debt Service Funds	
Retirement of long-term debt	3,754,501
Capital Project Funds	
Capital improvements	4,923,245
	<u>\$ 11,647,574</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, 2017, fund balance assigned was as follows:

General Fund	
Retiree health insurance	\$ 4,623,126
Building carryover	784,742
Health reimbursement accounts for carryovers	3,940,342
Cash flows needs for subsequent year	11,416,031
Post retirement defined contribution	1,119,821
Tech services RLE carryover	1,600,778
Total General Fund	23,484,840
Special Revenue Funds	
General community service	1,392,110
	<u>\$ 24,876,950</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 \$55,209 and the bank balance was \$55,209. The entire bank balance was covered by federal depository insurance.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION

1. Postemployment Benefits Other Than Pension Benefits

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2015, the date of the latest actuarial valuation, was 1,716 active and 295 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, 2015) 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, 2017

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	<p>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.</p> <p>For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.</p>
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Maintenance	55	6/30/2014	10	
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Para-Professionals	55	6/30/2014	10	
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Administrative Support Unit	55	6/30/2014	10	
	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, 2017

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	\$ 2,634,389
Interest on net OPEB	1,170,100
Adjustment to annual required contribution	<u>(1,931,958)</u>
Annual OPEB cost (expense)	1,872,531
Contributions made	<u>3,582,737</u>
Change in net OPEB obligation	<u>(1,710,206)</u>
OPEB obligation - beginning of year	<u>39,293,529</u>
OPEB obligation - end of year	<u><u>\$ 37,583,323</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, 2015
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	6.6% initial 4.2% ultimate

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,941,902	-93.0%	\$ 41,447,450
6/30/2016	\$ 1,909,883	212.8%	\$ 39,293,529
6/30/2017	\$ 1,872,531	191.3%	\$ 37,583,323

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

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
2015	\$ -	\$ 30,717,625	0.00%	\$ 30,717,625	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.

3. Dental Self-Insurance

The District has established a self-funded dental benefit plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing and payment of claims, after which they bill the District's trustee for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30. The District has no stop-loss coverage for the dental plan.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in the general fund of the District.

At June 30, 2017, the District has reported a liability of \$161,602 which represents an estimate of incurred but not reported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. The amounts not reported to the District were determined using data provided by the plan administrator. Changes in the program's claims liability amount for the years ended June 30, 2016 and June 30, 2017 follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2016	\$ -	\$ 2,879,493	\$ 2,091,138	\$ 788,355
2017	788,355	2,654,081	2,436,755	1,005,681

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

4. Contingencies

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

5. Limitation on School District Revenues

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

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

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

6. Upcoming Accounting Pronouncements

In June 2015, the GASB issued a new standard addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The District will, after adoption of GASB No. 75, recognize on the face of the financial statements its OPEB liability. GASB No. 75 is effective for fiscal years beginning after June 15, 2017. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 56,883,366	\$ 56,882,016	\$ 56,882,016	\$ -
Other local sources	1,111,500	1,129,416	1,451,387	321,971
Interdistrict sources	9,503,500	9,503,500	10,123,999	620,499
State sources	94,607,498	94,772,667	94,937,163	164,496
Federal sources	5,496,167	5,361,504	5,173,672	(187,832)
Other sources	455,000	455,000	175,159	(279,841)
Total Revenues	168,057,031	168,104,103	168,743,396	639,293
Expenditures				
Instruction				
Regular instruction	68,745,326	68,249,020	66,172,881	2,076,139
Vocational instruction	3,660,656	3,863,165	3,548,443	314,722
Other instruction	11,937,285	12,091,857	11,569,528	522,329
Total Instruction	84,343,267	84,204,042	81,290,852	2,913,190
Support Services				
Pupil services	5,910,406	5,444,635	5,032,125	412,510
Instructional staff services	7,477,946	8,151,329	7,773,495	377,834
General administration services	1,328,896	1,620,883	1,933,827	(312,944)
School administration services	8,704,488	8,789,899	8,695,023	94,876
Business services	1,183,218	1,228,633	1,038,909	189,724
Operations and maintenance of plant	15,702,905	15,791,640	17,160,098	(1,368,458)
Pupil transportation services	2,766,517	2,848,157	2,907,435	(59,278)
Central services	8,780,919	8,859,143	7,291,045	1,568,098
Insurance	1,240,000	1,240,000	1,415,706	(175,706)
Other support services	4,512,619	4,496,158	3,696,498	799,660
Total Support Services	57,607,914	58,470,477	56,944,161	1,526,316
Debt Service				
Interest	51,500	51,500	15,026	36,474
Non-program				
General tuition payments	4,632,600	4,632,600	5,231,160	(598,560)
Special education tuition payments	791,525	791,525	791,525	-
Adjustments and refunds	101,900	101,900	10,425	91,475
Total Non-program	5,526,025	5,526,025	6,033,110	(507,085)
Total Expenditures	147,528,706	148,252,044	144,283,149	3,968,895
Excess of Revenues Over Expenditures	20,528,325	19,852,059	24,460,247	4,608,188
Other Financing Sources (Uses)				
Sale of capital assets	157,000	157,000	174,494	17,494
Transfers out	(22,691,326)	(22,056,728)	(20,432,398)	1,624,330
Total Other Financing Sources (Uses)	(22,534,326)	(21,899,728)	(20,257,904)	1,641,824
Net Change in Fund Balance	(2,006,001)	(2,047,669)	4,202,343	6,250,012
Fund Balance - July 1	23,593,912	23,593,912	23,593,912	-
Fund Balance - June 30	\$ 21,587,911	\$ 21,546,243	\$ 27,796,255	\$ 6,250,012

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other local sources	\$ -	\$ 4,291	\$ 4,520	\$ 229
Intermediate sources	13,000	13,000	11,708	(1,292)
State sources	6,953,871	6,953,871	6,976,779	22,908
Federal sources	3,373,633	3,634,112	4,209,104	574,992
Total Revenues	10,340,504	10,605,274	11,202,111	596,837
Expenditures				
Instruction				
Regular instruction	885	14,505	-	14,505
Vocational instruction	-	574	83	491
Special education instruction	24,772,649	25,440,832	24,236,031	1,204,801
Other instruction	92,937	94,520	62,382	32,138
Total Instruction	24,866,471	25,550,431	24,298,496	1,251,935
Support Services				
Pupil services	4,337,895	4,445,781	4,028,480	417,301
Instructional staff services	1,195,551	1,182,795	916,623	266,172
General administration services	-	180,975	-	180,975
Business services	45,000	45,000	39,831	5,169
Operations and maintenance of plant	9,925	9,925	12,787	(2,862)
Pupil transportation services	2,200,240	2,215,240	2,185,102	30,138
Central services	10,950	11,916	10,227	1,689
Total Support Services	7,799,561	8,091,632	7,193,050	898,582
Non-program				
Special education tuition payments	358,798	282,135	139,547	142,588
Total Expenditures	33,024,830	33,924,198	31,631,093	2,293,105
Excess of Revenues Under Expenditures	(22,684,326)	(23,318,924)	(20,428,982)	2,889,942
Other Financing Sources				
Transfers in	22,684,326	22,049,728	20,428,982	(1,620,746)
Net Change in Fund Balance	-	(1,269,196)	-	1,269,196
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ (1,269,196)	\$ -	\$ 1,269,196

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, 2017

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
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%
2016	4,063,804	2,719,482	149.43%
2017	3,582,737	2,634,389	136.00%

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, 2017

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
2015	-	30,717,625	0.00%	30,717,625	N/A	N/A

See Notes to Required Supplementary Information.

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/15	0.63069221%	\$ (15,491,526)	\$ 87,953,382	17.61%	102.74%
6/30/16	0.62692309%	10,187,379	88,611,191	11.50%	98.20%
6/30/17	0.62549638%	5,155,584	90,249,176	5.71%	99.12%

Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/15	\$ 6,156,737	\$ 6,156,737	\$ -	\$ 87,953,382	7.00%
6/30/16	6,025,561	6,025,561	-	88,611,191	6.80%
6/30/17	5,956,482	5,956,482	-	90,249,176	6.60%

See Notes to Required Supplementary Information.

*The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE A - WISCONSIN RETIREMENT SYSTEM

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

NOTE B - SCHEDULE OF FUNDING PROGRESS

The July 1, 2015 actuarial valuation differs from the July 1, 2013 actuarial valuation due to the following factor:

- 1) The healthcare cost trend rate has decreased.

NOTE C - 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, 2017.

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE C - 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)	\$ 168,743,396	\$ 11,202,111
Reclassification of special education	11,202,111	(11,202,111)
Total Revenues	<u>179,945,507</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	144,283,149	31,631,093
Reclassification of special education	31,631,093	(31,631,093)
Total Expenditures	<u>175,914,242</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	24,460,247	(20,428,982)
Reclassification of special education	(20,428,982)	20,428,982
Excess of Revenues Over (Under) Expenditures	<u>4,031,265</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(20,257,904)	20,428,982
Reclassification of special education	20,428,982	(20,428,982)
Total Other Financing Sources (Uses)	<u>171,078</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	4,202,343	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>23,593,912</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 27,796,255</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

APPLETON AREA SCHOOL DISTRICT

Appleton, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
ASSETS				
Cash and investments	\$ 44,230	\$ -	\$ 9,938	\$ -
Receivables				
Accounts	-	-	-	8,040
Due from other funds	968,023	268	1,882,695	1,458,756
Due from other governments	-	2,735	559,561	-
TOTAL ASSETS	\$ 1,012,253	\$ 3,003	\$ 2,452,194	\$ 1,466,796
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,432	\$ 50	\$ 286,635	\$ 74,686
Accrued payroll liabilities	-	-	161,953	-
Due to other funds	-	2,953	-	-
Total Liabilities	2,432	3,003	448,588	74,686
Fund Balances				
Nonspendable	43,599	-	-	-
Restricted	966,222	-	2,003,606	-
Assigned	-	-	-	1,392,110
Total Fund Balances	1,009,821	-	2,003,606	1,392,110
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,012,253	\$ 3,003	\$ 2,452,194	\$ 1,466,796

Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Other Capital Projects Fund	Capital Expansion Fund	2017	2016
\$ 64,393	\$ 3,690,305	\$ 931,021	\$ 246,555	\$ 4,986,442	\$ 6,233,383
-	-	-	-	8,040	6,955
-	-	788,027	4,678,515	9,776,284	7,214,350
-	-	-	-	562,296	412,654
<u>\$ 64,393</u>	<u>\$ 3,690,305</u>	<u>\$ 1,719,048</u>	<u>\$ 4,925,070</u>	<u>\$ 15,333,062</u>	<u>\$ 13,867,342</u>

\$ -	\$ -	\$ 788,027	\$ 932,846	\$ 2,084,676	\$ 672,768
-	-	-	-	161,953	149,312
122	75	-	-	3,150	2,417
<u>122</u>	<u>75</u>	<u>788,027</u>	<u>932,846</u>	<u>2,249,779</u>	<u>824,497</u>

-	-	-	-	43,599	35,160
64,271	3,690,230	931,021	3,992,224	11,647,574	12,367,899
-	-	-	-	1,392,110	639,786
<u>64,271</u>	<u>3,690,230</u>	<u>931,021</u>	<u>3,992,224</u>	<u>13,083,283</u>	<u>13,042,845</u>
<u>\$ 64,393</u>	<u>\$ 3,690,305</u>	<u>\$ 1,719,048</u>	<u>\$ 4,925,070</u>	<u>\$ 15,333,062</u>	<u>\$ 13,867,342</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, 2017

(With summarized financial information for the year ended June 30, 2016)

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 1,650,500
Other local sources	219,419	-	2,014,089	29,497
State sources	-	-	100,564	-
Federal sources	-	20,362	4,095,230	-
Other sources	-	-	340,482	-
Total Revenues	219,419	20,362	6,550,365	1,679,997
Expenditures				
Instruction				
Regular instruction	81,695	19,166	-	-
Vocational instruction	31,820	-	-	-
Special education instruction	2,000	-	-	-
Other instruction	16,507	-	-	-
Total Instruction	132,022	19,166	-	-
Support Services				
Pupil services	7,099	-	-	-
Instructional staff services	27,452	781	-	-
School administration services	-	-	-	166,320
Operations and maintenance of plant	-	-	-	117,914
Pupil transportation services	4,371	415	-	-
Food services	-	-	6,293,236	-
Central services	2,142	-	-	65,416
Other support services	-	-	-	14,558
Community services	-	-	-	563,465
Principal	-	-	-	-
Interest	-	-	-	-
Total Support Services	41,064	1,196	6,293,236	927,673
Total Expenditures	173,086	20,362	6,293,236	927,673
Excess of Revenues Over (Under) Expenditures	46,333	-	257,129	752,324
Other Financing Sources				
Transfers in	-	-	-	-
Net Change in Fund Balances	46,333	-	257,129	752,324
Fund Balances - July 1	963,488	-	1,746,477	639,786
Fund Balances - June 30	\$ 1,009,821	\$ -	\$ 2,003,606	\$ 1,392,110

Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Other Capital Projects Fund	Capital Expansion Fund		
\$ 1,408,455	\$ 3,335,385	\$ -	\$ 2,460,000	\$ 8,854,340	\$ 8,668,712
65	14,936	9,648	797	2,288,451	2,135,042
-	-	-	-	100,564	97,232
-	-	-	-	4,115,592	3,657,219
92,219	-	-	-	432,701	352,419
1,500,739	3,350,321	9,648	2,460,797	15,791,648	14,910,624
-	-	-	-	100,861	69,682
-	-	-	-	31,820	3,180
-	-	-	-	2,000	-
-	-	-	-	16,507	9,630
-	-	-	-	151,188	82,492
-	-	-	-	7,099	1,080
-	-	-	-	28,233	21,624
-	-	-	-	166,320	-
-	-	2,835,105	607,472	3,560,491	1,152,252
-	-	-	-	4,786	7,342
-	-	-	-	6,293,236	5,019,635
-	-	19,500	-	87,058	4,974
-	-	-	-	14,558	593
-	-	-	-	563,465	1,366,997
1,285,000	2,220,000	-	-	3,505,000	3,435,000
228,133	1,145,059	-	-	1,373,192	1,429,791
1,513,133	3,365,059	2,854,605	607,472	15,603,438	12,439,288
1,513,133	3,365,059	2,854,605	607,472	15,754,626	12,521,780
(12,394)	(14,738)	(2,844,957)	1,853,325	37,022	2,388,844
3,416	-	-	-	3,416	18,414
(8,978)	(14,738)	(2,844,957)	1,853,325	40,438	2,407,258
73,249	3,704,968	3,775,978	2,138,899	13,042,845	10,635,587
\$ 64,271	\$ 3,690,230	\$ 931,021	\$ 3,992,224	\$ 13,083,283	\$ 13,042,845

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Pupil Activity Fund
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
ASSETS				
Cash	\$ 2,258,210	\$ 3,868,342	\$ 3,964,713	\$ 2,161,839
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 1,490,776	\$ 2,862,305	\$ 2,928,216	\$ 1,424,865
Middle schools	303,016	349,117	370,485	281,648
Elementary schools	464,418	656,920	666,012	455,326
TOTAL LIABILITIES	<u>\$ 2,258,210</u>	<u>\$ 3,868,342</u>	<u>\$ 3,964,713</u>	<u>\$ 2,161,839</u>

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Charter School Authorizer Services and Costs
 For the Year Ended June 30, 2017

		Appleton Bilingual	Appleton Eschool	Appleton Public Montessori	Appleton Technical Academy	Classical School	Fox Cities Leadership Academy	Fox River Academy
Function								
Services Provided								
Regular curriculum	120000	\$ 5,747	\$ 601,311	\$ 580,541	\$ 116,423	\$ 2,341,685	\$ 261,261	\$ 445,176
Vocational education	130000	-	-	-	198,743	-	-	-
Special education	150000	16,489	-	-	-	110	-	-
Co-Curriculars	160000	-	-	-	-	-	-	-
Other special needs	170000	558,253	-	-	-	-	-	-
Social work	212000	-	-	6,135	-	-	-	-
Guidance services	213000	-	-	-	-	15,243	-	-
Health services	214000	5,666	-	7,885	-	15,770	13,348	-
Psychological Services	215000	-	-	-	-	7,217	-	-
Speech & language	216000	-	-	6,745	-	18,888	-	-
Occupational therapy	218100	-	-	5,430	-	6,495	-	-
Other pupil services	219000	-	-	-	-	-	-	-
Curriculum development	221200	43	-	5,033	15,035	7,754	3,159	-
Instructional staff training	221300	-	2,003	2,243	-	9,117	-	3,893
Library media services	222000	320	-	2,679	-	6,550	-	1,436
General administration	230000	-	271	-	141	41,258	-	-
Building administration	240000	12,953	66,619	201,908	15,765	130,406	12,712	18,363
General operations	253000	-	-	48,057	-	92,275	-	-
Facilities rental	255000	-	-	-	-	-	-	-
Pupil transportation	256000	(69)	-	628	2,556	60	642	157
Technology	266000	55	1,145	1,425	-	2,862	-	84
		\$ 599,457	\$ 671,349	\$ 868,709	\$ 348,663	\$ 2,695,690	\$ 291,122	\$ 469,109

		Appleton Bilingual	Appleton Eschool	Appleton Public Montessori	Appleton Technical Academy	Classical School	Fox Cities Leadership Academy	Fox River Academy
Object								
Operating Activity								
Employee salaries	100	\$ 421,194	\$ 458,164	\$ 617,376	\$ 242,139	\$ 1,928,164	\$ 218,382	\$ 330,126
Employee benefits	200	175,052	146,700	223,728	88,407	739,564	62,377	127,187
Purchased services	300	29	64,231	16,897	1,922	15,919	1,803	7,756
Non-capital objects	400	3,182	2,254	10,193	16,096	2,999	8,560	1,440
Capital objects	500	-	-	-	99	-	-	-
Dues & Fees	900	-	-	515	-	-	-	2,600
Other	900	-	-	-	-	9,044	-	-
		\$ 599,457	\$ 671,349	\$ 868,709	\$ 348,663	\$ 2,695,690	\$ 291,122	\$ 469,109

(Continued)

APPLETON AREA SCHOOL DISTRICT
Appleton, Wisconsin
Schedule of Charter School Authorizer Services and Costs
For the Year Ended June 30, 2017

		Kaleidoscope Academy	Odyssey Magellan Magnet School	Renaissance School For the Arts	Stephen Foster Elementary	Tesla Engineering Charter School	Valley New School	Wisconsin Connections Academy
Function								
Services Provided								
Regular curriculum	120000	\$ 4,080,778	\$ 861,528	\$ 458,216	\$ 1,997,429	\$ 195,595	\$ 476,024	\$ 3,677,507
Vocational education	130000	-	-	-	-	284,602	-	105,541
Special education	150000	598,116	20,996	-	207,282	-	-	5,686
Co-Curriculars	160000	95,313	-	-	3,063	-	-	7,630
Other special needs	170000	247,296	-	-	153,719	-	-	4,619
Social work	212000	30,673	-	-	25,251	-	-	-
Guidance services	213000	63,158	-	-	34,576	-	-	-
Health services	214000	16,997	-	10,297	9,508	-	1,464	2,723
Psychological Services	215000	44,671	-	-	11,820	-	5,471	-
Speech & language	216000	28,861	-	-	84,842	-	-	-
Occupational therapy	218100	1,452	-	-	4,463	-	-	-
Other pupil services	219000	-	-	-	-	-	-	77,267
Curriculum development	221200	-	-	-	-	-	-	362
Instructional staff training	221300	4,894	-	-	359	-	-	-
Library media services	222000	70,820	-	-	60,528	-	14,329	-
General administration	230000	7,379	-	-	7,120	-	3,608	10,555
Building administration	240000	337,213	29,140	33,254	175,809	13,215	46,327	228,147
General operations	253000	85,001	-	-	72,251	-	1,738	12,070
Facilities rental	255000	-	-	-	-	-	84,972	-
Pupil transportation	256000	5,046	-	15,677	677	-	-	2,012
Technology	266000	35,809	-	-	1,299	-	1,760	11,954
		\$ 5,753,477	\$ 911,664	\$ 517,444	\$ 2,849,996	\$ 493,412	\$ 635,693	\$ 4,146,073

Object								
Operating Activity								
Employee salaries	100	\$ 4,188,911	\$ 665,509	\$ 399,665	\$ 2,090,405	\$ 361,022	\$ 395,502	\$ 1,558,789
Employee benefits	200	1,452,599	232,439	85,976	727,580	122,478	145,444	473,143
Purchased services	300	32,021	-	15,677	9,976	-	3,856	2,071,685
Non-capital objects	400	75,955	13,716	16,126	21,320	9,912	5,819	41,615
Capital objects	500	-	-	-	-	-	84,972	-
Dues & Fees	900	3,991	-	-	715	-	100	841
Other	900	-	-	-	-	-	-	-
		\$ 5,753,477	\$ 911,664	\$ 517,444	\$ 2,849,996	\$ 493,412	\$ 635,693	\$ 4,146,073

**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 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, 2017, 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 dated November 29, 2017.

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 2017-001 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 29, 2017

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 UNIFORM GUIDANCE 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) 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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the State of Wisconsin. Those standards, the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

Appleton Area School District's response to the noncompliance 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

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 the Uniform Guidance 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 2017-002 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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 29, 2017

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	Federal CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	WI Department of Public Instruction	2017-440147-SB-546
National School Lunch Program	10.555	WI Department of Public Instruction	2017-440147-NSL-547
Donated Commodities 16-17	10.555	WI Department of Public Instruction	2017-440147-NSL-547
Total National School Lunch Program			
Special Milk Program for Children	10.556	WI Department of Public Instruction	2017-440147-SMP-548
Summer Food Service Program for Children	10.559	WI Department of Public Instruction	2017-440147-SFSP-586
<i>Total Child Nutrition Cluster</i>			
Fresh Fruit & Vegetable Program	10.582	WI Department of Public Instruction	2017-440147-FF&V-376
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
<u>U.S. DEPARTMENT OF JUSTICE</u>			
National Institute of Justice Research, Evaluation	16.560	WI Department of Public Instruction	FY 17-440147-730 599-Bully
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Title I-A - Grants to Local Educational Agencies	84.010	WI Department of Public Instruction	17-440147-Title I-141
Title I-A - Grants to Local Educational Agencies - Delinquent	84.010	WI Department of Public Instruction	17-440147-TI-Delinquent-140
Title I-A - Grants to Local Educational Agencies - Reservation	84.010	WI Department of Public Instruction	17-440147-Title I-141
Title I Focus School Grant	84.010	WI Department of Public Instruction	2017-440147-Focus-145
Academic Parent Reacher Program - Teams Pilot Schools Grant	84.010	WI Department of Public Instruction	2016-440147-Cohort I-154
Total Title I-A			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States - Flow Thru	84.027	WI Department of Public Instruction	2017-440147-IDEA-341
Special Education - Grants to States - Flow Thru EIS	84.027	WI Department of Public Instruction	2017-440147-IDEA-341
Special Education - Grants to States - High Cost	84.027	WI Department of Public Instruction	2017-440147-IDEA-341
IDEA - Discretionary	84.027	WI Department of Public Instruction	2017-440147-IDEA-341
Total Special Education - Grants to States			
Special Education - Preschool Grants	84.173	WI Department of Public Instruction	17-440147-Pre-S-347
<i>Total Special Education Cluster (IDEA)</i>			
Career and Technical Education - Basic Grants to States	84.048	WI Department of Public Instruction	2017-440147-CP-CTE-400
School Climate Transformation	84.184G	Direct Program	N/A
Indian Education - Grants to Local Educational Agencies	84.060A	Direct Program	N/A
Title VII-B - Education for Homeless Children and Youth	84.196	WI Department of Public Instruction	2017-440147-Homeless-335
21st Century Community Learning Centers	84.287		17-440147-367-CLC
Multi-School		WI Department of Public Instruction	
Columbus		WI Department of Public Instruction	
Johnston		WI Department of Public Instruction	
Total 21st Century Community Learning Centers			
Title III-A - English Language Acquisition Grants	84.365	WI Department of Public Instruction	17-440147-Title III A-391
Title II-A - Improving Teacher Quality	84.367	WI Department of Public Instruction	17-440147-Title II-365
TOTAL U.S. DEPARTMENT OF EDUCATION			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Promoting Adolescent Health in Wisconsin through school based HIV/STD	93.079	WI Department of Health Services	2016-17-440147-WILY-334
School Health Nutrition and Physical Activity	93.548	WI Department of Public Instruction	N/A
Refugee School Impact Grant	93.566	WI Department of Public Instruction	FY2017-440147-Refugee-538
Project Aware - Community of Hope	93.243	Direct Program	N/A
<i>Medicaid Cluster</i>			
Medical Assistance Program - School Based Services	93.778	WI Department of Health Services	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 7/1/16	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Expenditures	Subrecipient Payments
\$ (84,464)	\$ 738,335	\$ 124,569	\$ 778,440	\$ -
(325,679)	2,579,552	377,404	2,631,277	-
-	465,039	-	465,039	-
(325,679)	3,044,591	377,404	3,096,316	-
(94)	320	55	281	-
-	94,988	53,626	148,614	-
(410,237)	3,878,234	555,654	4,023,651	-
-	67,673	3,909	71,582	-
(410,237)	3,945,907	559,563	4,095,233	-
(1,707)	1,707	520	520	-
(432,091)	1,509,480	272,187	1,349,576	-
(6,193)	12,718	6,121	12,646	-
(139,825)	867,503	162,985	890,663	-
(3,650)	12,894	7,080	16,324	-
(913)	6,393	3,900	9,380	-
(582,672)	2,408,988	452,273	2,278,589	-
(638,604)	2,379,495	927,246	2,668,137	-
(113,728)	445,268	158,116	489,656	-
-	29,551	-	29,551	-
(6,514)	6,605	-	91	-
(758,846)	2,860,919	1,085,362	3,187,435	-
(26,607)	96,019	32,537	101,949	-
(785,453)	2,956,938	1,117,899	3,289,384	-
(44,132)	62,194	73,221	91,283	-
(110,818)	740,230	146,114	775,526	-
(2,417)	20,044	2,735	20,362	-
(15,107)	57,493	9,539	51,925	-
-	300,000	-	300,000	-
-	48,530	1,470	50,000	-
(20,622)	101,101	20,312	100,791	-
(20,622)	449,631	21,782	450,791	-
(46,538)	182,418	77,613	213,493	-
(104,379)	409,227	137,452	442,300	-
(1,712,138)	7,287,163	2,038,628	7,613,653	-
(4,443)	6,923	3,250	5,730	-
-	1,342	-	1,342	-
-	-	3,974	3,974	-
(6,349)	40,380	-	34,031	-
-	1,559,815	185,016	1,744,831	-
(10,792)	1,608,460	192,240	1,789,908	-
\$ (2,134,874)	\$ 12,843,237	\$ 2,790,951	\$ 13,499,314	\$ -

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of State Financial Assistance
 For the Year Ended June 30, 2017

Grantor Agency/State Program Title	State I.D. Number	Pass Through Agency	State Identifying Number
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WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

Handicapped pupils and school age parents	255.101	Direct Program	440147-100
State school lunch	255.102	Direct Program	440147-107
Common School Fund	255.103	Direct Program	440147-104
Bilingual-Bicultural education	255.106	Direct Program	440147-111
Transportation aid	255.107	Direct Program	440147-102
WI Morning Milk Program	255.109	Direct Program	440147-109
Equalization aids	255.201	Direct Program	440147-116
High Cost Special Education Aid	255.210	Direct Program	440147-119
Alcohol & Drug Abuse Program	255.306	Direct Program	440147-143
AODA Program Grants	255.321	Direct Program	440147-142
School breakfast program	255.344	Direct Program	440147-108
Student Achievement Guarantee in Education	255.504	Direct Program	440147-160
Educator Effectiveness Grant	255.940	Direct Program	440147-154
Per Pupil Adjustment Aid	255.945	Direct Program	440147-113
Career and Technical Education Incentive Grant	255.950	Direct Program	440147-151
Assessments of Reading Readiness	255.956	Direct Program	440147-166
Robotics League Participation Grants	255.959	Direct Program	440147-167
Total Wisconsin Department of Public Instruction			

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 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Expenditures	Subrecipient Payments
\$ -	\$ 6,873,943	\$ -	\$ 6,873,943	\$ -
-	63,067	-	63,067	-
-	630,664	-	630,664	-
-	341,909	-	341,909	-
-	111,604	-	111,604	-
-	979	-	979	-
(1,476,400)	87,619,283	1,497,456	87,640,339	-
-	102,836	-	102,836	-
(26,900)	45,795	5,284	24,179	-
-	-	1,000	1,000	-
-	36,518	-	36,518	-
-	1,644,923	-	1,644,923	-
(62,737)	139,757	19,029	96,049	-
(2,231,100)	5,981,850	-	3,750,750	-
-	31,397	-	31,397	-
-	24,922	-	24,922	-
-	-	1,328	1,328	-
(3,797,137)	103,649,447	1,524,097	101,376,407	-
\$ (3,797,137)	\$ 103,649,447	\$ 1,524,097	\$ 101,376,407	\$ -

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, 2017

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *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 - SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2017 basic financial statements. Accrued revenue at year end consists of state program expenditures scheduled for reimbursement to the District in succeeding year while deferred revenue represents advances for state programs that exceed recorded District expenditures. The District has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

NOTE C - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017-2018 eligible costs under the State Special Education Program as reported by the District are \$27,612,122. Compiled information required by compliance requirement 1 – 1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE D - 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, 2017

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 the Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Programs
	<i>Special Education Cluster</i>
84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement

Identification of major state programs:

State ID	Name of State Programs
255.101	State Special Education
255.103	Common School Fund Library Aid
255.107	Pupil Transportation
255.201	Equalization Aids
255.504	Student Achievement Guarantee in Education
255.945	Per Pupil Adjustment Aid

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

Federal Awards	\$750,000
State Financial Assistance	\$250,000

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, 2017

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
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2017-001 Preparation of Annual Financial Report

Repeat of Finding 2015-001

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, 2017

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

Finding No.	Internal Control and Compliance Deficiencies
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2017-002 Pupil Transportation

Repeat of Finding 2015-002

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

Condition: Ridership logs received from the bus company were not available or the ridership log provided did not indicate that the student actually rode the bus for 7 of 40 students tested.

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.

Questioned Costs: Not determined

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.

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2017

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	_____	Yes	_____	No
Department of Health Services	<u> X </u>	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 29, 2017

APPLETON AREA SCHOOL DISTRICT
 Appleton, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2017

Prior Year Audit Findings

All findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. The current status of the prior year audit findings, as provided by management, follows:

Finding No.	Prior Year Audit Finding
2015-001	<p>Preparation of Annual Financial Report</p> <p>Management continues to believe the cost to hire additional staff to eliminate the control deficiency outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by Schenck prior to issuance.</p>
2015-002	<p>Pupil Transportation</p> <p>Management and staff are in the process of developing procedures in an effort to accurately report transportation information to the Department of Public Instruction.</p> <p>Uniform Grant Guidance Implementation</p>
2016-001	<p>The District has updated its internal control procedural manual for federal funds effective April 27, 2017.</p>

Corrective Action Plan

Finding No.	Corrective Action Plan
2017-001	<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>
2017-002	<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