

Appleton Area School District
Appleton, Wisconsin

ANNUAL FINANCIAL REPORT

June 30, 2018

Appleton Area School District

Appleton, Wisconsin

JUNE 30, 2018

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Appleton Area School District

Appleton, Wisconsin

JUNE 30, 2018

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin (the "District") as of and for the year ended June 30, 2018, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 2.H to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards 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 the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedules of expenditures of federal and state awards 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 2017 financial statements, and our report dated November 29, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, 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, 2017, 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 28, 2018, 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 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



Appleton Area School District

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Management's Discussion and Analysis June 30, 2018

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, 2018. 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

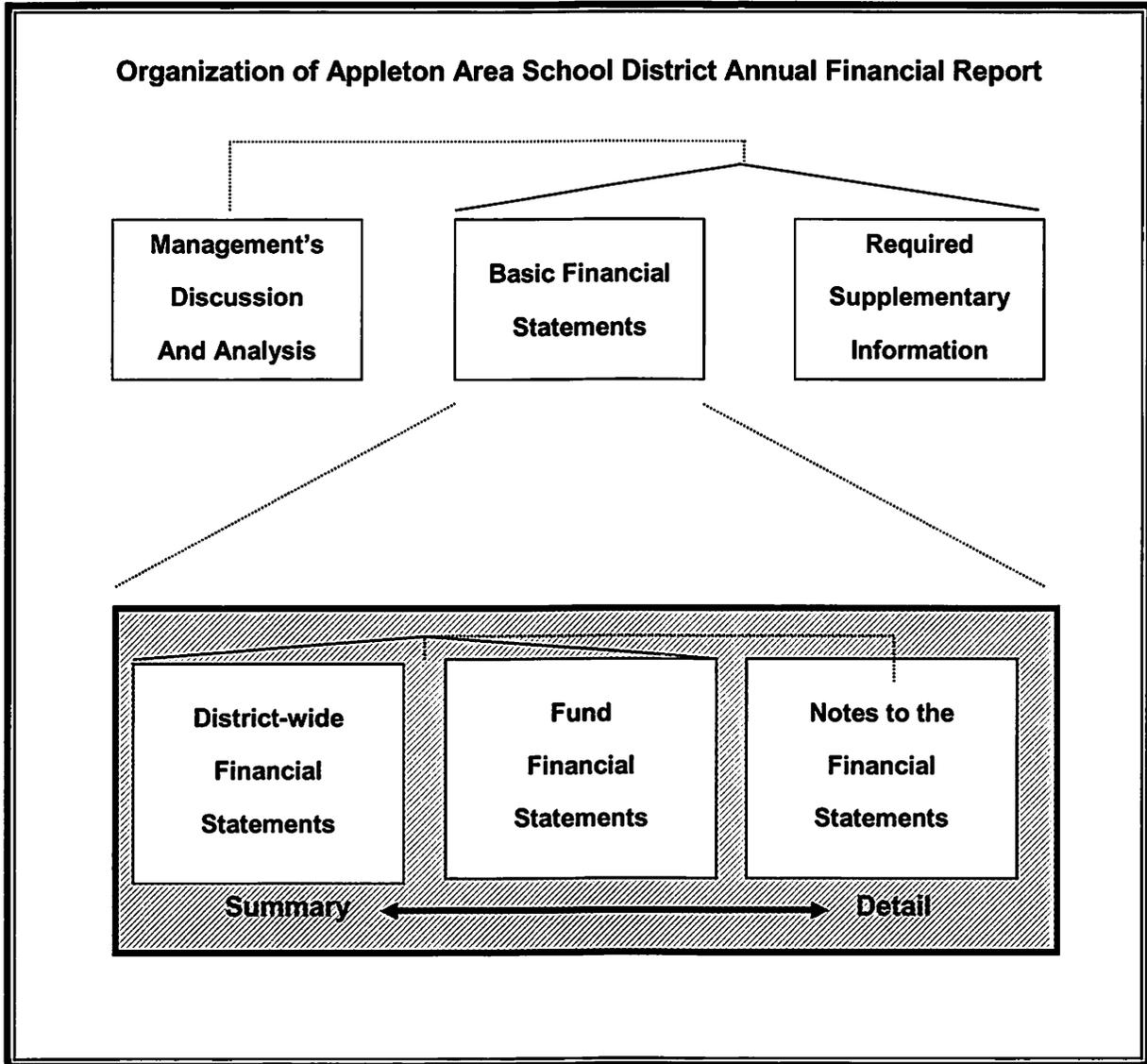
- Spending restraint was demonstrated in several general fund categories including capital projects, technology purchases and educational and administrative staffing.
- Fund Balance in the general fund increased by \$3,366,474.

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, 2018 than it was the year before.

Figure A-1 Condensed Statement of Net Position		
	2018 Governmental Activities	2017 Governmental Activities
Current and other assets	\$ 84,773,714	\$ 64,266,699
Capital assets	87,734,211	87,810,903
Total Assets	<u>172,507,925</u>	<u>152,077,602</u>
Deferred Outflows of Resources		
Loss on advance refunding	461,924	587,066
Pension related amounts	31,439,095	37,150,158
	<u>31,901,019</u>	<u>37,737,224</u>
Long-term obligations	65,096,823	88,493,149
Other liabilities	22,409,763	23,810,669
Total Liabilities	<u>87,506,586</u>	<u>112,303,818</u>
Deferred Inflows of Resources		
Pension related amounts	36,575,416	16,255,554
Other postemployment related amounts	879,434	-
	<u>37,454,850</u>	<u>16,255,554</u>
Net Position		
Net investment in capital assets	51,205,422	48,280,903
Restricted	11,134,993	11,224,066
Unrestricted	17,107,093	1,750,485
Total Net Position	<u>\$ 79,447,508</u>	<u>\$ 61,255,454</u>

The District's total net position increased to \$79,447,508 in 2017-2018. This is an increase of \$18,192,054. Total revenues were \$202,128,298, an increase of \$6,810,121, primarily due to an increase in state aids. Total cost of programs and services of \$194,889,252 was an increase of \$5,601,426. The total increase included a \$10.9 million positive accounting change related to other post-employment benefits.

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

Figure A-2 Changes in Net Position from Operating Results

	2018 Governmental Activities	2017 Governmental Activities
Revenues		
Program Revenues		
Charges for services	\$ 13,909,780	\$ 12,881,981
Operating grants and contributions	23,299,677	23,174,602
General Revenues		
Property taxes	67,119,002	65,738,768
State formula aid	96,399,373	92,371,097
Other	1,400,466	1,151,729
Total Revenues	202,128,298	195,318,177
Expenses		
Instruction	110,280,302	110,768,201
Support Services	69,335,394	65,979,077
Community services	1,547,001	931,284
Interest on debt	1,379,377	1,409,667
Non-Program	7,867,862	6,172,657
Depreciation - unallocated	4,479,316	4,026,940
Total Expenses	194,889,252	189,287,826
Increase (Decrease) in Net Position	\$ 7,239,046	\$ 6,030,351

- The change in net position over the past year was an increase in net position of \$7,239,046. 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 \$194,889,252.
- The users of the district's programs financed some of the cost. (7.1%).
- The federal and state governments subsidized certain programs with grants and contributions. (12.0%).
- The remaining portion of governmental activities was financed with \$67,119,968 in property taxes and \$96,399,373 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 \$31,162,729 plus the total fund balance of all governmental funds of \$44,198,894. As the district completed the year, its governmental activities reported combined net position of \$79,447,508.

General Fund Budgetary Highlights

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

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

The result of these revisions generally was an increase of \$3,206,735 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 2017-2018 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 2B to the financial statements.) Total depreciation expense for the year for governmental activities was \$4,479,316.

Figure A-3 Capital Assets

	2018 Governmental Activities	2017 Governmental Activities
Land	\$ 7,593,005	\$ 7,593,005
Buildings and improvements	148,310,445	145,150,449
Machinery and equipment	10,170,843	8,952,946
Accumulated depreciation	(78,340,082)	(73,885,497)
Total	\$ 87,734,211	\$ 87,810,903

Long-Term Obligations

At year-end, the district had \$37,075,000 in general obligation bonds and notes as well as \$28,021,823 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the district's long-term liabilities is presented in Note 2.E to the financial statements.)

Figure A-4 Outstanding Long-term Obligations

	2018 Total District	2017 Total District
General obligation debt	\$ 37,075,000	\$ 41,610,000
Other	28,021,823	46,883,149
Total	\$ 65,096,823	\$ 88,493,149

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, 2018

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments	\$ 45,297,542	\$ 45,507,852
Receivables		
Taxes	14,080,812	13,681,956
Accounts	67,775	305,085
Due from other governments	6,560,193	4,771,806
Inventories and prepaid items	202,683	-
Net pension asset	18,564,709	-
Capital assets		
Nondepreciable	7,593,005	7,593,005
Depreciable	80,141,206	80,217,898
Total assets	172,507,925	152,077,602
DEFERRED OUTFLOWS OF RESOURCES		
Loss on advance refunding	461,924	587,066
Pension related amounts	31,439,095	37,150,158
Total deferred outflows of resources	31,901,019	37,737,224
LIABILITIES		
Accounts payable	3,938,727	4,627,100
Accrued and other current liabilities	17,249,578	18,757,824
Accrued interest payable	399,652	423,508
Unearned revenues	946	2,237
Deposits payable	145,190	-
Health and dental claims payable	675,670	-
Long-term obligations		
Due in one year	3,940,733	3,863,897
Due in more than one year	36,929,943	41,890,345
Other postemployment benefits liability	24,226,147	37,583,323
Net pension liability	-	5,155,584
Total liabilities	87,506,586	112,303,818
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	36,575,416	16,255,554
Other postemployment related amounts	879,434	-
Total deferred inflows of resources	37,454,850	16,255,554
NET POSITION		
Net investment in capital assets	51,205,422	48,280,903
Restricted	11,134,993	11,224,066
Unrestricted	17,107,093	1,750,485
Total net position	\$ 79,447,508	\$ 61,255,454

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 110,280,302	\$ 11,942,265	\$ 12,553,148	\$ -
Support services	69,335,394	1,946,505	9,665,619	-
Community services	1,547,001	21,010	-	-
Non-program	7,867,862	-	988,592	-
Interest and fiscal charges	1,379,377	-	92,318	-
Depreciation - unallocated	4,479,316	-	-	-
Total governmental activities	\$ 194,889,252	\$ 13,909,780	\$ 23,299,677	\$ -

General revenues
 Property taxes
 Other taxes
 State and federal aids not restricted to specific functions
 Interest and investment earnings
 Gain on disposal of capital assets
 Gifts and donations
 Miscellaneous

Total general revenues

Change in net position

Net position - July 1, as originally reported

Cumulative effect of change in accounting principle

Net position - July 1, restated

Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	
2018	2017
\$ (85,784,889)	\$ (88,211,065)
(57,723,270)	(54,151,947)
(1,525,991)	(901,787)
(6,879,270)	(4,529,837)
(1,287,059)	(1,409,667)
<u>(4,479,316)</u>	<u>(4,026,940)</u>
<u>(157,679,795)</u>	<u>(153,231,243)</u>
67,117,968	65,736,356
1,034	2,412
96,399,373	92,371,097
404,341	140,603
159,083	-
362,219	575,094
<u>474,823</u>	<u>436,032</u>
<u>164,918,841</u>	<u>159,261,594</u>
<u>7,239,046</u>	<u>6,030,351</u>
61,255,454	55,225,103
<u>10,953,008</u>	<u>-</u>
<u>72,208,462</u>	<u>55,225,103</u>
<u>\$ 79,447,508</u>	<u>\$ 61,255,454</u>

Appleton Area School District

Appleton, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	General	Other Governmental Funds	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 40,483,089	\$ 4,814,453	\$ 45,297,542	\$ 45,507,852
Receivables				
Taxes	14,080,812	-	14,080,812	13,681,956
Accounts	67,775	-	67,775	305,085
Due from other funds	2,758,375	8,880,384	11,638,759	10,369,486
Due from other governments	5,843,911	716,282	6,560,193	4,771,806
Inventories and prepaid items	202,683	-	202,683	-
Total assets	<u>\$ 63,436,645</u>	<u>\$ 14,411,119</u>	<u>\$ 77,847,764</u>	<u>\$ 74,636,185</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,775,968	\$ 1,162,759	\$ 3,938,727	\$ 4,627,100
Accrued and other current liabilities	17,249,578	-	17,249,578	17,590,247
Due to other funds	11,571,754	67,005	11,638,759	10,369,486
Unearned revenues	946	-	946	2,237
Deposits payable	-	145,190	145,190	161,953
Health and dental claims payable	675,670	-	675,670	1,005,624
Total liabilities	<u>32,273,916</u>	<u>1,374,954</u>	<u>33,648,870</u>	<u>33,756,647</u>
Fund balances				
Nonspendable	202,683	44,611	247,294	43,599
Restricted	44,431	11,490,214	11,534,645	11,647,574
Assigned	26,008,677	1,501,340	27,510,017	24,876,950
Unassigned	4,906,938	-	4,906,938	4,311,415
Total fund balances	<u>31,162,729</u>	<u>13,036,165</u>	<u>44,198,894</u>	<u>40,879,538</u>
Total liabilities and fund balances	<u>\$ 63,436,645</u>	<u>\$ 14,411,119</u>	<u>\$ 77,847,764</u>	<u>\$ 74,636,185</u>

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

Appleton Area School District

Appleton, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	2018	2017
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 44,198,894	\$ 40,879,538
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	87,734,211	87,810,903
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on advance refunding	461,924	587,066
Deferred outflows related to pensions	31,439,095	37,150,158
Deferred inflows related to pensions	(36,575,416)	(16,255,554)
Deferred inflows related to other postemployment benefits	(879,434)	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(37,075,000)	(41,610,000)
Premium on debt	(1,211,400)	(1,296,307)
Compensated absences	(2,584,276)	(2,847,935)
Other postemployment benefits liability	(24,226,147)	(37,583,323)
Net pension asset (liability)	18,564,709	(5,155,584)
Accrued interest on long-term obligations	(399,652)	(423,508)
Net position of governmental activities as reported on the statement of net position (see page 12)	\$ 79,447,508	\$ 61,255,454

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, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	General	Other Governmental Funds	Totals	
			2018	2017
REVENUES				
Property taxes	\$ 57,245,609	\$ 9,873,393	\$ 67,119,002	\$ 65,736,356
Other local sources	1,609,365	2,250,031	3,859,396	3,744,358
Interdistrict sources	10,723,561	-	10,723,561	10,123,999
Intermediate sources	15,422	-	15,422	11,708
State sources	106,445,381	107,299	106,552,680	102,014,506
Federal sources	8,770,917	4,070,572	12,841,489	13,498,368
Other sources	474,823	455,248	930,071	607,860
Total revenues	185,285,078	16,756,543	202,041,621	195,737,155
EXPENDITURES				
Instruction				
Regular instruction	67,984,184	131,327	68,115,511	66,273,742
Vocational instruction	3,508,029	3,113	3,511,142	3,580,346
Special education instruction	25,738,411	-	25,738,411	24,238,031
Other instruction	11,912,086	6,703	11,918,789	11,648,417
Total instruction	109,142,710	141,143	109,283,853	105,740,536
Support services				
Pupil services	9,747,538	1,025	9,748,563	9,067,704
Instructional staff services	9,059,686	25,066	9,084,752	8,718,351
General administration services	1,521,859	-	1,521,859	1,933,827
School administration services	8,991,328	463,214	9,454,542	8,861,343
Business services	1,186,615	12,975	1,199,590	1,078,740
Operations and maintenance of plant	15,650,254	3,493,090	19,143,344	20,733,376
Pupil transportation services	4,976,642	1,128	4,977,770	5,097,323
Food services	-	5,977,641	5,977,641	6,293,236
Central services	8,509,374	66,756	8,576,130	7,388,330
Insurance	1,471,746	-	1,471,746	1,415,706
Other support services	3,818,535	9,309	3,827,844	3,711,056
Total support services	64,933,577	10,050,204	74,983,781	74,298,992
Debt service				
Principal	-	4,535,000	4,535,000	3,505,000
Interest and fiscal charges	24,355	1,338,643	1,362,998	1,388,218
Total debt service	24,355	5,873,643	5,897,998	4,893,218
Community service				
Non-program	-	847,854	847,854	563,465
General tuition payments	5,922,787	-	5,922,787	5,231,160
Special education tuition payments	164,900	-	164,900	931,072
Adjustments and refunds	559,639	-	559,639	10,425
Voucher payments	1,220,536	-	1,220,536	-
Total non-program	7,867,862	-	7,867,862	6,172,657
Total expenditures	181,968,504	16,912,844	198,881,348	191,668,868
Excess of revenues over (under) expenditures	3,316,574	(156,301)	3,160,273	4,068,287
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	159,083	-	159,083	174,494
Transfers in	-	109,183	109,183	3,416
Transfers out	(109,183)	-	(109,183)	(3,416)
Total other financing sources (uses)	49,900	109,183	159,083	174,494
Net change in fund balances	3,366,474	(47,118)	3,319,356	4,242,781
Fund balances - July 1	27,796,255	13,083,283	40,879,538	36,636,757
Fund balances - June 30	\$ 31,162,729	\$ 13,036,165	\$ 44,198,894	\$ 40,879,538

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, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 3,319,356	\$ 4,242,781
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 assets reported as capital outlay reported in governmental fund statements	4,402,624	7,111,372
Depreciation expense reported in the statement of activities	(4,479,316)	(4,026,940)
Net book value of disposals	-	(4,584)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid	4,535,000	3,505,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	23,856	28,004
Amortization of premiums, discounts and loss on advance refunding	(40,235)	(49,453)
Compensated absences	263,659	378,892
Net pension liability/asset	23,720,293	5,031,795
Deferred outflows of resources related to pensions	(5,711,063)	(17,145,211)
Deferred inflows of resources related to pensions	(20,319,862)	5,248,489
Other postemployment benefits	2,404,168	1,710,206
Deferred inflows of resources related to other postemployment benefits	(879,434)	-
Change in net position of governmental activities as reported in the statement of activities (see pages 13 - 14)	<u>\$ 7,239,046</u>	<u>\$ 6,030,351</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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	Private Purpose Trust	Agency Pupil Activity	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 139,821	\$ 2,344,189	\$ 2,484,010	\$ 2,300,375
LIABILITIES				
Due to student organizations	-	2,344,189	2,344,189	2,161,839
NET POSITION				
Restricted	\$ 139,821	\$ -	\$ 139,821	\$ 138,536

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
PRIVATE PURPOSE TRUST FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Other local sources	\$ -	\$ 10,404
Investment earnings	1,285	-
Total additions	<u>1,285</u>	<u>10,404</u>
DEDUCTIONS		
Trust fund disbursements	<u>-</u>	<u>1,500</u>
Change in net position	1,285	8,904
Net position - July 1	<u>138,536</u>	<u>129,632</u>
Net position - June 30	<u>\$ 139,821</u>	<u>\$ 138,536</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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Appleton Area School District, Appleton, Wisconsin (the "District"), 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:

A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected seven member 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 and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

B. 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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. 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*.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 (compensated absences) 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, and fees and fines, 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.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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.

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. Accounts Receivable

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

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

4. 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.

5. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

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

6. 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 funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant 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 a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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:

Assets	Governmental Activities Years
Land improvements	20 - 50
Buildings and improvements	20 - 50
Machinery and equipment	5 - 20

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide 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.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

10. 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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.

11. 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.

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Qualifying teachers and administrators are provided with other postemployment benefits. The OPEB is a single employer defined benefit plan administered by the District. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

13. 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 a specific employee 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.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

District-wide 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.

E. 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.

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and 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, 2017, from which the summarized information was derived.

G. 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 2: DETAILED NOTES ON ALL FUNDS

A. 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 fund uses 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, 2018

The carrying amount of the District's cash and investments totaled \$47,781,552 on June 30, 2018 as summarized below:

Deposits with financial institutions	\$ 2,224,620
Investments	
Wisconsin Investment Series Cooperative	31,622,445
Repurchase agreements	13,934,487
	<u>\$ 47,781,552</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 45,297,542
Fiduciary fund statement of net position	
Private purpose trust fund	139,821
Agency fund	2,344,189
	<u>\$ 47,781,552</u>

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 asset. 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 District's deposits and investments and the related risks.

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

As of June 30, 2018, \$377,278 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

On June 30, 2018, the District held repurchase agreement investments of \$13,934,487 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

Credit Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Wisconsin Investment Series Cooperative	<u>\$ 31,622,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,622,445</u>

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:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Wisconsin Investment Series Cooperative	<u>\$ 31,622,445</u>	<u>\$ 31,622,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$31,622,445 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.

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 International Cooperative Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 7,593,005	\$ -	\$ -	\$ 7,593,005
Capital assets, depreciable:				
Land improvements	9,541,332	790,546	6,850	10,325,028
Buildings and improvements	135,609,117	2,376,300	-	137,985,417
Machinery and equipment	8,952,946	1,235,778	17,881	10,170,843
Subtotals	<u>154,103,395</u>	<u>4,402,624</u>	<u>24,731</u>	<u>158,481,288</u>
Less accumulated depreciation for:				
Land improvements	4,881,210	361,271	6,850	5,235,631
Buildings and improvements	63,564,814	3,461,939	-	67,026,753
Machinery and equipment	5,439,473	656,106	17,881	6,077,698
Subtotals	<u>73,885,497</u>	<u>4,479,316</u>	<u>24,731</u>	<u>78,340,082</u>
Total capital assets, depreciable, net	<u>80,217,898</u>	<u>(76,692)</u>	<u>-</u>	<u>80,141,206</u>
Governmental activities capital assets, net	<u>\$ 87,810,903</u>	<u>\$ (76,692)</u>	<u>\$ -</u>	87,734,211
Less: Capital related debt				(35,650,000)
Less: Debt premium				(1,211,400)
Add: Loss on advance refunding (capital related portion)				<u>332,611</u>
Net investment in capital assets				<u>\$ 51,205,422</u>

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

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2018 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
To account for expenditures paid and receipts received by other funds		
Governmental funds		
General	\$ 2,758,375	\$ 11,571,754
Special Revenue Funds		
Trust	986,756	-
Indian education	-	20,723
Food service	2,309,760	-
General community service	1,615,953	-
Debt Service Funds		
Non-referendum	-	46,207
Referendum	-	75
Capital Project Funds		
Long-term capital improvement	100,000	-
Capital expansion	3,867,915	-
Totals	<u>\$ 11,638,759</u>	<u>\$ 11,638,759</u>

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 109,183
Non-referendum debt service	6,683	-
Long-term capital improvement	102,500	-
	<u>\$ 109,183</u>	<u>\$ 109,183</u>

Interfund transfers were made for the following purposes:

Transfer from General Fund for debt service payments	\$ 6,683
Transfer from General Fund for future long-term capital improvements	102,500
	<u>\$ 109,183</u>

D. SHORT-TERM OBLIGATIONS

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2018 was as follows:

	<u>Outstanding 7/1/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 6/30/18</u>
Tax and revenue anticipation notes	\$ -	\$ 15,500,000	\$ 15,500,000	\$ -

Total interest paid for the year on short-term debt totaled \$24,355.

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E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 36,965,000	\$ -	\$ 3,880,000	\$ 33,085,000	\$ 3,040,000
Notes	4,645,000	-	655,000	3,990,000	635,000
Total general obligation debt	41,610,000	-	4,535,000	37,075,000	3,675,000
Debt premium	1,296,307	-	84,907	1,211,400	84,907
Compensated absences	2,847,935	180,826	444,485	2,584,276	180,826
Governmental activities Long-term obligations	<u>\$ 45,754,242</u>	<u>\$ 180,826</u>	<u>\$ 5,064,392</u>	<u>\$ 40,870,676</u>	<u>\$ 3,940,733</u>

Total interest paid during the year on long-term debt totaled \$1,325,115.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/18
General obligation notes	8/30/10	3/1/20	4.40%	\$ 2,250,000	\$ 1,240,000
	7/16/12	3/1/22	2.00% - 2.25%	2,750,000	2,750,000
General obligation bonds	7/16/12	7/16/20	1.40% - 1.80%	6,040,000	1,425,000
	7/16/13	7/16/25	2.00% - 2.30%	7,135,000	6,615,000
	6/2/14	3/1/34	2.00% - 4.00%	29,075,000	25,045,000

Total outstanding general obligation debt \$ 37,075,000

Annual principal and interest maturities of the outstanding general obligation debt of \$37,075,000 on June 30, 2018 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 3,675,000	\$ 1,180,030	\$ 4,855,030
2020	3,785,000	1,076,890	4,861,890
2021	3,885,000	868,860	4,753,860
2022	3,020,000	777,160	3,797,160
2023	1,675,000	704,160	2,379,160
2024-2028	9,055,000	2,858,415	11,913,415
2029-2033	10,575,000	1,393,525	11,968,525
2034	1,405,000	70,406	1,475,406
	<u>\$ 37,075,000</u>	<u>\$ 8,929,446</u>	<u>\$ 46,004,446</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

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Defeasance of Existing Debt

During 2018, the District placed \$995,615 into an irrevocable trust to in-substance defease \$945,000 of general obligation bond issued in 2014. Amount placed in the trust was used to defease a portion of the principal balance due in 2034, and will make the required principal payment when due. The resources placed into the irrevocable trust fund were used to purchase United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series ("SLGs"). As a result, the portion of the 2034 principal payment is considered to be defeased and the liability has been removed from the financial statements. The defeasance was undertaken to reduce total debt service payments over the next 16 years by \$1,494,281 and to obtain an economic savings from the defeasance of \$498,666.

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, 2018 was \$751,054,022 as follows:

Equalized valuation of the District		\$ 7,847,422,179
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		784,742,218
Total outstanding general obligation debt applicable to debt limitation	\$ 37,075,000	
Less: Amounts available for financing general obligation debt		
Debt service fund net of accrued interest	<u>3,386,804</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>33,688,196</u>
Legal margin for new debt		<u><u>\$ 751,054,022</u></u>

F. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 577,764
2020	322,892
2021	209,458
2022	<u>206,758</u>
Total minimum payments required	<u><u>\$ 1,316,872</u></u>

Rent expense under all operating leases for the year ended June 30, 2018 amounted to \$652,058.

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JUNE 30, 2018

G. PENSION PLAN

WRS Pension Plan Description

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

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/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 executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupation employees) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

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<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

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 ending December 31, 2017, the WRS recognized \$6,338,013 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, the District reported an asset of \$18,564,709 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was .62525994%, which was a decrease of .00023644% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$8,062,036.

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At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,586,925	\$ 11,033,182
Net differences between projected and actual earnings on pension plan investments	-	25,515,467
Changes in assumptions	3,668,024	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,376	26,767
Employer contributions subsequent to the measurement date	4,119,770	-
Total	<u>\$ 31,439,095</u>	<u>\$ 36,575,416</u>

The \$4,119,770 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2018	\$ 2,017,794
2019	(143,176)
2020	(6,358,122)
2021	(4,817,120)
2022	44,533
Total	<u>\$ (9,256,091)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
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. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

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Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Core Fund Asset Class			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

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

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 3.31%. 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 members 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.

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

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
District's proportionate share of the net pension liability (asset)	\$ 48,033,242	\$ (18,564,709)	\$ (69,181,213)

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>.

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$1,746,065 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

H. OTHER POSTEMPLOYMENT BENEFITS

The District has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2017 have not been restated.

The cumulative effect of this change was to increase the June 30, 2017 net position by \$10,953,008 as follows:

Other postemployment liability		
OPEB liability balance previously reported	\$ 37,583,323	
Actuarially determined balance	<u>26,630,315</u>	
Decrease in other postemployment liability		<u>\$ 10,953,008</u>

Plan Description

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 plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

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Benefits Provided

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	<p>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.</p> <p>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.</p> <p>For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.</p>
Secretary/ Clerical	55 56 57 58	6/30/2014 6/30/2016 6/30/2018 After 6/30/2018	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>

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	338
Active employees	1,814
	<u>2,152</u>

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

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Actuarial Assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Salary increases:	0.2% to 5.6% (based on longevity)
Discount Rate:	3.58%
Healthcare cost trend rates:	2018 - 6.10%
	2019 - 5.80%
	2020 - 6.50%
	2021 - 5.00%
	Ultimate - 4.00%

Mortality rates are the same as those used in the December 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the July 1, 2017 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 26,630,315</u>
Changes for the year:	
Service cost	1,402,339
Interest	748,236
Contributions - employer	-
Net investment income	-
Effect of assumptions changes or inputs	(972,006)
Benefit payments	<u>(3,582,737)</u>
Net changes	<u>(2,404,168)</u>
Balance at June 30, 2018	<u>\$ 24,226,147</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease to Discount Rate (2.58%)	Current Discount Rate (3.58%)	1% Increase to Discount Rate (4.58%)
Total OPEB Liability	<u>\$ 25,566,969</u>	<u>\$ 24,226,147</u>	<u>\$ 22,957,412</u>

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 22,402,606	\$ 24,226,147	\$ 26,358,471

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,058,003. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -
Changes in assumptions	(879,434)
Net difference between projected and actual earnings on OPEB plan investments	-
District contributions subsequent to the measurement date	-
Total	<u>\$ (879,434)</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2019	\$ (92,572)
2020	(92,572)
2021	(92,572)
2022	(92,572)
Thereafter	(509,146)
Total	<u>\$ (879,434)</u>

Payable to the OPEB Plan

At June 30, 2018, the District reported no outstanding contribution to the Plan required for the year ended June 30, 2018.

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I. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2018, nonspendable fund balance was as follows:

	<u>General</u>	<u>Trust</u>
Nonspendable		
Inventories and prepaid items	\$ 202,683	\$ -
Legally required to remain intact	<u>-</u>	<u>44,611</u>
Total nonspendable fund balance	<u>\$ 202,683</u>	<u>\$ 44,611</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fund balance was as follows:

General Fund	
Restricted for future grant expenditures	<u>\$ 44,431</u>
Special Revenue Funds	
Restricted for	
Scholarships	976,667
Food service	<u>2,563,251</u>
Total Special Revenue Fund restricted fund balance	<u>3,539,918</u>
Debt Service Funds	
Restricted for	
Non-referendum long-term debt retirement	75,519
Referendum long-term debt retirement	<u>3,710,937</u>
Total Debt Service Fund restricted fund balance	<u>3,786,456</u>
Capital Project Funds	
Restricted for	
Other capital projects	262,566
Long-term capital improvement	102,523
Capital expansion	<u>3,798,751</u>
Total Capital Projects Fund restricted fund balance	<u>4,163,840</u>
Total restricted fund balance	<u>\$ 11,534,645</u>

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Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2018, fund balance was assigned as follows:

General Fund

Assigned for

Retiree health insurance	\$ 2,100,538
Building carryover	1,077,166
Health reimbursement accounts for carryovers	3,950,693
Cash flows needed for subsequent year	15,661,395
Post retirement defined contribution	1,302,018
Self-funded dental	609,189
Tech services RLE carryover	1,307,678
	<u>26,008,677</u>

Special Revenue Fund

General community service	<u>1,501,340</u>
---------------------------	------------------

Total

\$ 27,510,017

Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fiduciary fund net position was as follows:

Fiduciary Funds

Restricted for

Scholarships	<u>\$ 139,821</u>
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Net Position

The District reports restricted net position at June 30, 2018 as follows:

Governmental activities

Restricted for

Grant expenditures	\$ 44,431
Scholarships	976,667
Food service	2,563,251
Retirement of long-term debt	3,386,804
Future capital projects	4,163,840
Total restricted net position	<u>\$ 11,134,993</u>

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3: OTHER INFORMATION

A. 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.

In addition to the above, the District accounts for the following risk management program in the General Fund:

Self-funded Insurance Program

The District has a self-insured 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, 2018. 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. Currently, the Plan is accounted for in the General Fund of the District.

At June 30, 2018, the District has reported a liability of \$675,670 which includes \$180,977 representing reported and unreported claims which were incurred on or before June 30, 2018, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2018	\$ 1,005,681	\$ 2,138,443	\$ 2,468,454	\$ 675,670
2017	788,355	2,654,081	2,436,755	1,005,681

B. CONTINGENCIES

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.

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 the 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.

Appleton Area School District

Appleton, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued 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 December 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 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, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 57,246,575	\$ 57,246,575	\$ 57,245,609	\$ (966)
Other local sources	1,330,500	655,460	1,606,574	951,114
Interdistrict sources	10,018,000	10,018,000	10,723,561	705,561
State sources	98,639,855	98,767,015	99,199,839	432,824
Federal sources	5,474,769	5,437,703	5,189,071	(248,632)
Other sources	185,200	185,200	474,823	289,623
Total revenues	172,894,899	172,309,953	174,439,477	2,129,524
EXPENDITURES				
Instruction				
Regular instruction	70,752,978	70,491,305	67,984,184	2,507,121
Vocational instruction	3,301,623	3,424,301	3,508,029	(83,728)
Other instruction	12,384,969	11,323,397	11,850,000	(526,603)
Total instruction	86,439,570	85,239,003	83,342,213	1,896,790
Support services				
Pupil services	5,826,690	5,369,564	5,507,363	(137,799)
Instructional staff services	7,364,880	7,557,169	8,033,673	(476,504)
General administration services	1,449,169	1,383,486	1,521,074	(137,588)
School administration services	9,000,483	9,072,973	8,991,328	81,645
Business services	1,408,067	1,360,368	1,140,452	219,916
Operations and maintenance of plant	16,052,468	15,530,607	15,636,438	(105,831)
Pupil transportation services	3,069,998	3,127,604	2,793,071	334,533
Central services	10,076,135	8,453,988	8,497,840	(43,852)
Insurance	1,465,000	1,465,000	1,471,746	(6,746)
Other support services	3,587,986	3,390,003	3,818,535	(428,532)
Total support services	59,300,876	56,710,762	57,411,520	(700,758)
Debt service				
Interest and fiscal charges	51,500	51,500	24,355	27,145
Non-program				
General tuition payments	5,766,000	5,765,000	5,922,787	(157,787)
Adjustments and refunds	135,000	135,000	559,639	(424,639)
Voucher payments	1,224,624	1,224,624	1,220,536	4,088
Total non-program	7,125,624	7,124,624	7,702,962	(578,338)
Total expenditures	152,917,570	149,125,889	148,481,050	644,839
Excess of revenues over expenditures	19,977,329	23,184,064	25,958,427	2,774,363
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	159,500	159,500	159,083	(417)
Transfers out	(23,163,638)	(23,163,638)	(22,751,036)	412,602
Total other financing sources (uses)	(23,004,138)	(23,004,138)	(22,591,953)	412,185
Net change in fund balance	(3,026,809)	179,926	3,366,474	3,186,548
Fund balance - July 1	27,796,255	27,796,255	27,796,255	-
Fund balance - June 30	\$ 24,769,446	\$ 27,976,181	\$ 31,162,729	\$ 3,186,548

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, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local sources	\$ -	\$ 1,500	\$ 2,791	\$ 1,291
Intermediate sources	11,000	11,000	15,422	4,422
State sources	7,295,570	7,295,570	7,245,542	(50,028)
Federal sources	3,920,138	3,979,583	3,581,846	(397,737)
Total revenues	11,226,708	11,287,653	10,845,601	(442,052)
EXPENDITURES				
Instruction				
Regular instruction	19,655	-	-	-
Special education instruction	26,577,961	26,606,009	25,738,411	867,598
Other instruction	82,878	67,463	62,086	5,377
Total instruction	26,680,494	26,673,472	25,800,497	872,975
Support services				
Pupil services	4,201,037	4,205,107	4,240,175	(35,068)
Instructional staff services	913,867	1,073,896	1,026,013	47,883
General administration services	200	200	785	(585)
Business services	45,000	45,000	46,163	(1,163)
Operations and maintenance of plant	9,925	9,925	13,816	(3,891)
Pupil transportation services	2,468,688	2,191,230	2,183,571	7,659
Central services	10,700	10,600	11,534	(934)
Total support services	7,649,417	7,535,958	7,522,057	13,901
Non-program				
Special education tuition payments	53,435	183,512	164,900	18,612
Total expenditures	34,383,346	34,392,942	33,487,454	905,488
Excess of revenues under expenditures	(23,156,638)	(23,105,289)	(22,641,853)	463,436
OTHER FINANCING SOURCES				
Transfers in	23,156,638	23,105,289	22,641,853	(463,436)
Net change in fund balance	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS *

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,402,339
Interest	748,236
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(972,006)
Benefit payments	<u>(3,582,737)</u>
Net change in total OPEB liability	(2,404,168)
Total OPEB liability - beginning	<u>26,630,315</u>
Total OPEB liability - ending	<u>\$ 24,226,147</u>
Covered-employee payroll	\$ 88,913,658
District's total OPEB liability as a percentage of covered-employee payroll	27%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

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

Plan 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)
12/31/14	0.63069221%	\$ (15,491,526)	\$ 87,953,382	17.61%	102.74%
12/31/15	0.62692309%	10,187,379	88,611,191	11.50%	98.20%
12/31/16	0.62549638%	5,155,584	90,249,176	5.71%	99.12%
12/31/17	0.62525994%	(18,564,709)	93,206,041	19.92%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

District 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	\$ 6,073,215	\$ 6,073,215	\$ -	\$ 88,362,345	6.87%
6/30/16	5,933,997	5,933,997	-	88,923,093	6.67%
6/30/17	6,242,053	6,242,053	-	92,790,864	6.73%
6/30/18	6,453,759	6,453,759	-	95,813,152	6.74%

See notes to required supplementary information.

Appleton Area School District

Appleton, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

A. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. Information for prior years is not available.

B. WISCONSIN RETIREMENT SYSTEM

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

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.

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. 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 used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2018.

Appleton Area School District

Appleton, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund. 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:

	<u>General</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 174,439,477	\$ 10,845,601
Reclassification of special education	10,845,601	(10,845,601)
Total revenues	<u>185,285,078</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	148,481,050	33,487,454
Reclassification of special education	33,487,454	(33,487,454)
Total expenditures	<u>181,968,504</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	25,958,427	(22,641,853)
Reclassification of special education	(22,641,853)	22,641,853
Excess of revenues over (under) expenditures	<u>3,316,574</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(22,591,953)	22,641,853
Reclassification of special education	22,641,853	(22,641,853)
Total other financing sources (uses)	<u>49,900</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	3,366,474	-
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>27,796,255</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 31,162,729</u>	<u>\$ -</u>

Appleton Area School District

Appleton, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2018 as follows:

<u>Funds</u>	<u>Excess Expenditures</u>
General Fund	
Instruction	
Vocational instruction	\$ 83,728
Other instruction	526,603
Support services	
Pupil services	137,799
Instructional staff services	476,504
General administration services	137,588
Operations and maintenance of plant	105,831
Central services	43,852
Insurance	6,746
Other support services	428,532
Non-program	
General tuition payments	157,787
Adjustments and refunds	424,639
Special Education Fund	
Support services	
Pupil services	35,068
General administration services	585
Business services	1,163
Operations and maintenance of plant	3,891
Central services	934

The excess expenditures were funded with available appropriations in other functions of the general fund.

SUPPLEMENTARY INFORMATION

Appleton Area School District

Appleton, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Special Revenue			
	Trust	Indian Education	Food Service	General Community Service
ASSETS				
Cash and investments	\$ 44,611	\$ -	\$ 71,035	\$ -
Due from other funds	986,756	-	2,309,760	1,615,953
Due from other governments	-	21,429	694,853	-
Total assets	\$ 1,031,367	\$ 21,429	\$ 3,075,648	\$ 1,615,953
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,089	\$ 706	\$ 367,207	\$ 114,613
Due to other funds	-	20,723	-	-
Deposits payable	-	-	145,190	-
Total liabilities	10,089	21,429	512,397	114,613
Fund balances				
Nonspendable	44,611	-	-	-
Restricted	976,667	-	2,563,251	-
Assigned	-	-	-	1,501,340
Total fund balances	1,021,278	-	2,563,251	1,501,340
Total liabilities and fund balances	\$ 1,031,367	\$ 21,429	\$ 3,075,648	\$ 1,615,953

Debt Service		Capital Projects			Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	Other Capital Projects	Long-term Capital Improvement	Capital Expansion	
\$ 121,726	\$ 3,711,012	\$ 492,663	\$ 2,523	\$ 370,883	\$ 4,814,453
-	-	-	100,000	3,867,915	8,880,384
-	-	-	-	-	716,282
<u>\$ 121,726</u>	<u>\$ 3,711,012</u>	<u>\$ 492,663</u>	<u>\$ 102,523</u>	<u>\$ 4,238,798</u>	<u>\$ 14,411,119</u>
\$ -	\$ -	\$ 230,097	\$ -	\$ 440,047	\$ 1,162,759
46,207	75	-	-	-	67,005
-	-	-	-	-	145,190
<u>46,207</u>	<u>75</u>	<u>230,097</u>	<u>-</u>	<u>440,047</u>	<u>1,374,954</u>
-	-	-	-	-	44,611
75,519	3,710,937	262,566	102,523	3,798,751	11,490,214
-	-	-	-	-	1,501,340
<u>75,519</u>	<u>3,710,937</u>	<u>262,566</u>	<u>102,523</u>	<u>3,798,751</u>	<u>13,036,165</u>
<u>\$ 121,726</u>	<u>\$ 3,711,012</u>	<u>\$ 492,663</u>	<u>\$ 102,523</u>	<u>\$ 4,238,798</u>	<u>\$ 14,411,119</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, 2018

	Special Revenue			
	Trust	Indian Education	Food Service	General Community Service
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 1,650,500
Other local sources	159,513	-	2,018,911	21,010
State sources	-	-	107,299	-
Federal sources	-	22,426	4,048,146	-
Other sources	-	-	362,930	-
Total revenues	159,513	22,426	6,537,286	1,671,510
EXPENDITURES				
Instruction				
Regular instruction	110,342	20,985	-	-
Vocational instruction	3,113	-	-	-
Other instruction	6,703	-	-	-
Total instruction	120,158	20,985	-	-
Support services				
Pupil services	1,025	-	-	-
Instructional staff services	24,527	539	-	-
School administration services	-	-	-	463,214
Business services	-	-	-	12,975
Operations and maintenance of plant	2,120	-	-	162,173
Pupil transportation services	226	902	-	-
Food services	-	-	5,977,641	-
Central services	-	-	-	66,755
Other support services	-	-	-	9,309
Total support services	27,898	1,441	5,977,641	714,426
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	-	-	-	-
Community service	-	-	-	847,854
Total expenditures	148,056	22,426	5,977,641	1,562,280
Excess of revenues over (under) expenditures	11,457	-	559,645	109,230
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Net change in fund balances	11,457	-	559,645	109,230
Fund balances - July 1	1,009,821	-	2,003,606	1,392,110
Fund balances - June 30	\$ 1,021,278	\$ -	\$ 2,563,251	\$ 1,501,340

Debt Service		Capital Projects			Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	Other Capital Projects	Long-term Capital Improvement	Capital Expansion	
\$ 1,424,007	\$ 4,338,886	\$ -	\$ -	\$ 2,460,000	\$ 9,873,393
557	43,147	5,991	23	879	2,250,031
-	-	-	-	-	107,299
-	-	-	-	-	4,070,572
92,318	-	-	-	-	455,248
<u>1,516,882</u>	<u>4,382,033</u>	<u>5,991</u>	<u>23</u>	<u>2,460,879</u>	<u>16,756,543</u>
-	-	-	-	-	131,327
-	-	-	-	-	3,113
-	-	-	-	-	6,703
-	-	-	-	-	141,143
-	-	-	-	-	1,025
-	-	-	-	-	25,066
-	-	-	-	-	463,214
-	-	-	-	-	12,975
-	-	674,445	-	2,654,352	3,493,090
-	-	-	-	-	1,128
-	-	-	-	-	5,977,641
-	-	1	-	-	66,756
-	-	-	-	-	9,309
-	-	674,446	-	2,654,352	10,050,204
1,310,000	3,225,000	-	-	-	4,535,000
202,317	1,136,326	-	-	-	1,338,643
1,512,317	4,361,326	-	-	-	5,873,643
-	-	-	-	-	847,854
1,512,317	4,361,326	674,446	-	2,654,352	16,912,844
4,565	20,707	(668,455)	23	(193,473)	(156,301)
6,683	-	-	102,500	-	109,183
11,248	20,707	(668,455)	102,523	(193,473)	(47,118)
64,271	3,690,230	931,021	-	3,992,224	13,083,283
<u>\$ 75,519</u>	<u>\$ 3,710,937</u>	<u>\$ 262,566</u>	<u>\$ 102,523</u>	<u>\$ 3,798,751</u>	<u>\$ 13,036,165</u>

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
ASSETS				
Cash	\$ 2,161,839	\$ 3,934,173	\$ 3,751,823	\$ 2,344,189
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 1,424,865	\$ 2,887,219	\$ 2,771,018	\$ 1,541,066
Middle schools	281,648	355,438	330,959	306,127
Elementary schools	455,326	691,516	649,846	496,996
Total liabilities	\$ 2,161,839	\$ 3,934,173	\$ 3,751,823	\$ 2,344,189

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS FOR THE YEAR ENDED JUNE 30, 2018

		<u>Appleton Bilingual</u>	<u>Appleton Eschool</u>	<u>Appleton Public Montessori</u>	<u>Appleton Technical Academy</u>	<u>Classical School</u>
	<u>Object</u>					
OPERATING ACTIVITY						
Employee salaries	100	\$ 1,416	\$ 1,416	\$ 1,416	\$ 1,416	\$ 1,416
Employee benefits	200	355	355	355	355	355
Purchased services	300	-	-	-	-	-
Non-capital objects	400	-	-	-	-	-
Capital objects	500	-	-	-	-	-
Short-term debt	600	-	-	-	-	-
Insurance and judgments	700	-	-	-	-	-
Other	900	-	-	-	-	-
		<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>

<u>Fox Cities Leadership Academy</u>	<u>Fox River Academy</u>	<u>Kaleidoscope Academy</u>	<u>Renaissance School For the Arts</u>	<u>Stephen Foster Elementary</u>	<u>Tesla Engineering Charter School</u>	<u>Valley New School</u>	<u>Wisconsin Connections Academy</u>
\$ 1,416 355	\$ 1,416 355	\$ 1,416 355	\$ 1,416 355	\$ 1,416 355	\$ 1,416 355	\$ 1,416 355	\$ 1,416 355
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	<u>\$ 1,771</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 *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, each major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon which includes an emphasis of matter paragraph as indicated on page 2 dated November 28, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 2018-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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

The 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. The 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 the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Green Bay, Wisconsin
November 28, 2018

FEDERAL AND STATE AWARDS

Independent auditors' report on compliance for each major and federal and state program and on internal control over compliance required by the 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, Appleton, Wisconsin's ("the 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 Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of 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 the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

OTHER MATTERS

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal and state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of prior year findings and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be significant deficiency.

The 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. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 28, 2018

Appleton Area School District Appleton, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments	
U.S. DEPARTMENT OF AGRICULTURE									
<i>Child Nutrition Cluster</i>									
School Breakfast Program	10.553	WI DPI	2018-440147-SB-546	\$ (124,569)	\$ 691,684	\$ 225,782	\$ 792,897	\$ -	
National School Lunch Program	10.555	WI DPI	2018-440147-NSL-547	(377,404)	2,603,663	396,174	2,622,433	-	
Donated Commodities 17-18	10.555	WI DPI	2018-440147-NSL-547	-	460,690	-	460,690	-	
Total National School Lunch Program				<u>(377,404)</u>	<u>3,064,353</u>	<u>396,174</u>	<u>3,083,123</u>	<u>-</u>	
Special Milk Program for Children	10.556	WI DPI	2018-440147-SMP-548	(55)	175	-	120	-	
Summer Food Service Program for Children	10.559	WI DPI	2018-440147-SFSP-586	(53,626)	90,286	52,276	88,936	-	
Total Child Nutrition Cluster				<u>(53,681)</u>	<u>90,461</u>	<u>52,276</u>	<u>89,056</u>	<u>-</u>	
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-440147-FF&V-594	(3,909)	66,359	20,621	83,071	-	
Total U.S. Department of Agriculture				<u>(559,563)</u>	<u>3,912,857</u>	<u>694,853</u>	<u>4,048,147</u>	<u>-</u>	
U.S. DEPARTMENT OF JUSTICE									
Wi School Violence Bullying Prev Public	16.560	WI DPI	FY 18-440147-730 599-Bully	(520)	520	27,773	27,773	-	
U.S. DEPARTMENT OF EDUCATION									
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-440147-Title I-141	(272,187)	656,824	1,022,842	1,407,479	-	
Title I Grants to Local Educational Agencies-Private	84.010	WI DPI	2018-440147-Title I-141	-	21,766	45,957	67,723	-	
Title I Grants to Local Educational Agencies-Focus	84.010	WI DPI	2018-440147-Focus-145	(7,080)	11,397	9,683	14,000	-	
Title I Grants to Local Educational Agencies-Delinquent	84.010	WI DPI	2018-440147-TI-Delinquent-140	(6,121)	8,178	10,196	12,253	-	
Title I Grants to Local Educational Agencies-Reservation	84.010	WI DPI	2018-440147-Title I-141	(162,985)	505,067	535,831	877,913	-	
Title I Grants to Local Educational Agencies-Cohort	84.010	WI DPI	2018-440147-Cohort I-154	(3,900)	6,205	2,390	4,695	-	
Total Title I Grants to Local Educational Agencies				<u>(452,273)</u>	<u>1,209,437</u>	<u>1,626,899</u>	<u>2,384,063</u>	<u>-</u>	
<i>Special Education Cluster (IDEA)</i>									
Special Education Grants to States	84.027	WI DPI	2018-440147-IDEA-341	(1,085,362)	2,903,576	1,296,011	3,114,225	-	
Special Education Preschool Grants	84.173	WI DPI	2018-440147-Pre-S-347	(32,537)	95,404	43,701	106,568	-	
Total Special Education Cluster (IDEA)				<u>(1,117,899)</u>	<u>2,998,980</u>	<u>1,339,712</u>	<u>3,220,793</u>	<u>-</u>	
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-440147-CP-CTE-400	(73,221)	148,434	90,576	165,789	-	
Indian Education - Grants to Local Educational Agencies	84.060A	Direct Program	N/A	(2,735)	3,732	21,429	22,426	-	
School Climate Transformation	84.184G	Direct Program	N/A	(146,114)	818,087	138,568	810,541	-	
Education for Homeless Children and Youth	84.196	WI DPI	2018-440147-Homeless-335	(9,539)	19,311	15,072	24,844	-	
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-440147-CLC-367	(21,782)	237,895	233,887	450,000	-	
English Language Acquisition State Grants	84.365	WI DPI	2018-440147-Title III A-391	(77,613)	159,364	86,592	168,343	-	
Improving Teacher Quality State Grants	84.367	WI DPI	2018-440147-Title II-365	(137,452)	418,944	95,923	377,415	-	
Student Support and Academic Enrichment Program	84.424A	WI DPI	2018-440147-Title-IV A-381	-	-	2,000	2,000	-	
Total U.S. Department of Education				<u>(2,038,628)</u>	<u>6,014,184</u>	<u>3,650,658</u>	<u>7,626,214</u>	<u>-</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Promoting Adolescent Health in Wisconsin through school based HIV/STD	93.079	WI DPI	2018-440147-WILY-334	(3,250)	7,570	3,500	7,820	-	
Refugee School Impact Grant	93.566	WI DPI	FY2017-440147-Refugee-538	(3,974)	3,974	-	-	-	
Refugee School Impact Grant	93.576	WI DPI	FY2018-440147-Refugee-538	-	4,530	-	4,530	-	
<i>Medicaid Cluster</i>									
Medical Assistance Program	93.778	WI DHS	N/A	(185,016)	1,312,021	-	1,127,005	-	
Total Medicaid Cluster				<u>(185,016)</u>	<u>1,312,021</u>	<u>-</u>	<u>1,127,005</u>	<u>-</u>	
Total U.S. Department of Health and Human Services				<u>(192,240)</u>	<u>1,328,095</u>	<u>3,500</u>	<u>1,139,355</u>	<u>-</u>	
TOTAL FEDERAL AWARDS				<u>\$ (2,790,951)</u>	<u>\$ 11,255,656</u>	<u>\$ 4,376,784</u>	<u>\$ 12,841,489</u>	<u>\$ -</u>	
Reconciliation to the basic financial statements Federal sources							<u>\$ 12,841,489</u>		

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

Appleton Area School District Appleton, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	440147-100	\$ -	\$ 7,086,553	\$ -	\$ 7,086,553	\$ -
State School Lunch Aid	255.102	Direct Program	440147-107	-	63,199	-	63,199	-
Common School Fund Library Aid	255.103	Direct Program	440147-104	-	666,410	-	666,410	-
Bilingual Bicultural Aid lea	255.106	Direct Program	440147-111	-	371,481	-	371,481	-
General Transportation Aid	255.107	Direct Program	440147-102	-	108,595	-	108,595	-
WI School Day Milk Program	255.115	Direct Program	440147-109	-	247	-	247	-
Equalization Aids	255.201	Direct Program	440147-116	(1,497,456)	88,592,751	1,503,618	88,598,913	-
High Cost Special Education Aid	255.210	Direct Program	440147-119	-	158,989	-	158,989	-
Alcohol and Other Drug Abuse	255.306	Direct Program	440147-143	(5,284)	18,885	9,787	23,388	-
AODA Program Grants	255.321	Direct Program	440147-142	(1,000)	1,000	-	-	-
State School Breakfast Aid	255.344	Direct Program	440147-108	-	43,854	-	43,854	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	440147-160	-	1,824,048	-	1,824,048	-
Educator Effective Evaluation System	255.940	Direct Program	440147-154	(19,029)	98,915	14,940	94,826	-
Per Pupil Aid	255.945	Direct Program	440147-113	-	6,781,500	-	6,781,500	-
Career and Technical Education Incentive Grants	255.950	Direct Program	440147-171	-	24,706	-	24,706	-
Assessments of Reading Readiness	255.956	Direct Program	440147-166	-	54,762	-	54,762	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	440147-168	(1,328)	1,328	3,730	3,730	-
Total Wisconsin Department of Public Instruction				(1,524,097)	105,897,223	1,532,075	105,905,201	-
TOTAL STATE PROGRAMS				<u>\$ (1,524,097)</u>	<u>\$ 105,897,223</u>	<u>\$ 1,532,075</u>	<u>\$ 105,905,201</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
State sources							\$ 106,552,680	
Less: State sources not considered state financial assistance								
State tax computer aid							(647,479)	
Total state awards							<u>\$ 105,905,201</u>	

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

Appleton Area School District

Appleton, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the Appleton Area School District are 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* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2: 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 2018 fund financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017 - 2018 eligible costs under the State Special Education Program as reported by the District are \$29,401,599. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

NOTE 5: 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

NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services

WI DPI - Wisconsin Department of Public Instruction

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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?	Yes
Noncompliance material to basic financial statements noted?	No

FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	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 Uniform Guidance?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No
Identification of major federal programs:	

CFDA Number	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies
84.184G	School Climate Transformation
93.778	Medical Assistance Program

Identification of major state programs:

State ID Number	Name of State Program
255.107	General Transportation Aid for Public and Nonpublic School Pupils
255.201	Equalization Aids

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

Federal Awards	\$750,000
State Awards	\$250,000
Auditee qualified as low-risk auditee	Yes

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2018-001	Preparation of Annual Financial Report Repeat of Finding 2017-001
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 format, 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 or other required state financial reports.
Cause:	District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
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 FOR THE YEAR ENDED JUNE 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

FINDING NO.	CONTROL DEFICIENCIES
2018-002	<p>Reporting</p> <p><i>Federal ID - 93.778 Medical Assistance</i></p>
Condition:	District personnel prepare required reports relating to Medical Assistance School Based Services. Currently, the District does not have established procedures and controls for reviewing the reports.
Criteria:	The District is required to submit quarterly cost reports. Under the Uniform Grant Guidance requirements, the District is required to have proper procedures and controls over reporting.
Cause:	The District currently does not have procedures and controls in place to ensure accurate reporting.
Effect:	The District could potentially submit inaccurate quarterly reports.
Recommendation:	We recommend District personnel establish review procedures to ensure that there are at least (2) levels of review of all required reports to be submitted.

FINDING NO.	COMPLIANCE DEFICIENCIES
2018-003	<p>Consent to Bill Wisconsin Medicaid</p> <p><i>Federal ID - 93.778 Medical Assistance</i></p>
Condition:	District personnel are required under Medical Assistance School Based Services to obtain a form M5 in which a parent or guardian gives consent for the District to bill Wisconsin Medicaid. The District did not have a current M5 form for students who were at the District, transferred out, and subsequently returned.
Criteria:	The District is required to obtain an M5 form for each student that the District bills Wisconsin Medicaid for. According to the Department of Public Instruction, if a student were to leave the district and come back, a new M5 form is required.
Cause:	The District was unaware that a new M5 form was required.
Effect:	The District submitted claims to Wisconsin Medicaid for ineligible costs.
Questioned costs:	Not determined.
Recommendation:	We recommend District personnel implement procedures and controls to ensure a new M5 form is received for any students who transfer out and subsequently return to the district.

Appleton Area School District Appleton, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION IV: OTHER ISSUES

- | | |
|---|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :
Department of Health Services
Department of Public Instruction | Yes
No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | 
Paul G. Denis, CPA |
| 5. Date of report | November 28, 2018 |

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR AUDIT FINDINGS

The findings noted in the 2017 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:

<u>Finding No.</u>	<u>Prior Year Audit Finding</u>
2017-001	Preparation of Annual Financial Report 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.
2017-002	Pupil Transportation Management and staff have established procedures in an effort to accurately report transportation information to the Department of Public Instruction.

Appleton Area School District

Appleton, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN

Finding No. Corrective Action Plan

2018-001 Preparation of Annual Financial Report

We believe that the costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits to be received.

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

2018-002 Reporting

We will establish review procedures to ensure that there are at least two levels of review of all required reports to be submitted. These review procedures will be added to our Uniform Grant Guidance procedural manual, and will ensure a segregation of duties and accuracy by requiring preparation and submitted of data at a minimum of two levels of District personnel.

2018-003 Consent to Bill Wisconsin Medicaid

The District will implement procedures and controls to ensure a new M5 form is received for any students who transfer out and subsequently return to the District by seeking an M5 consent form from parents/guardians of students transferring into the AASD schools. In addition, the District's third party Medicaid vendor, Accelify, will be implementing alerts in their system for notification and compliance.