

**APPLETON AREA SCHOOL DISTRICT  
APPLETON, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
June 30, 2016

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**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
June 30, 2016

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Appleton Area School District, ("the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 45 through 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines* issued by the State of Wisconsin and are also not a required part of the basic financial statements.

The supplementary information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Report on Summarized Financial Information**

We have previously audited the District's 2015 financial statements, and our report dated November 27, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 January 11, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
January 11, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Appleton Area School District

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## **Management's Discussion and Analysis June 30, 2016**

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, 2016. Readers should consider the information presented in the Management Discussion and Analysis in conjunction with the basic financial statements and the notes to the financial statements, which follow this narrative.

### **Financial Highlights**

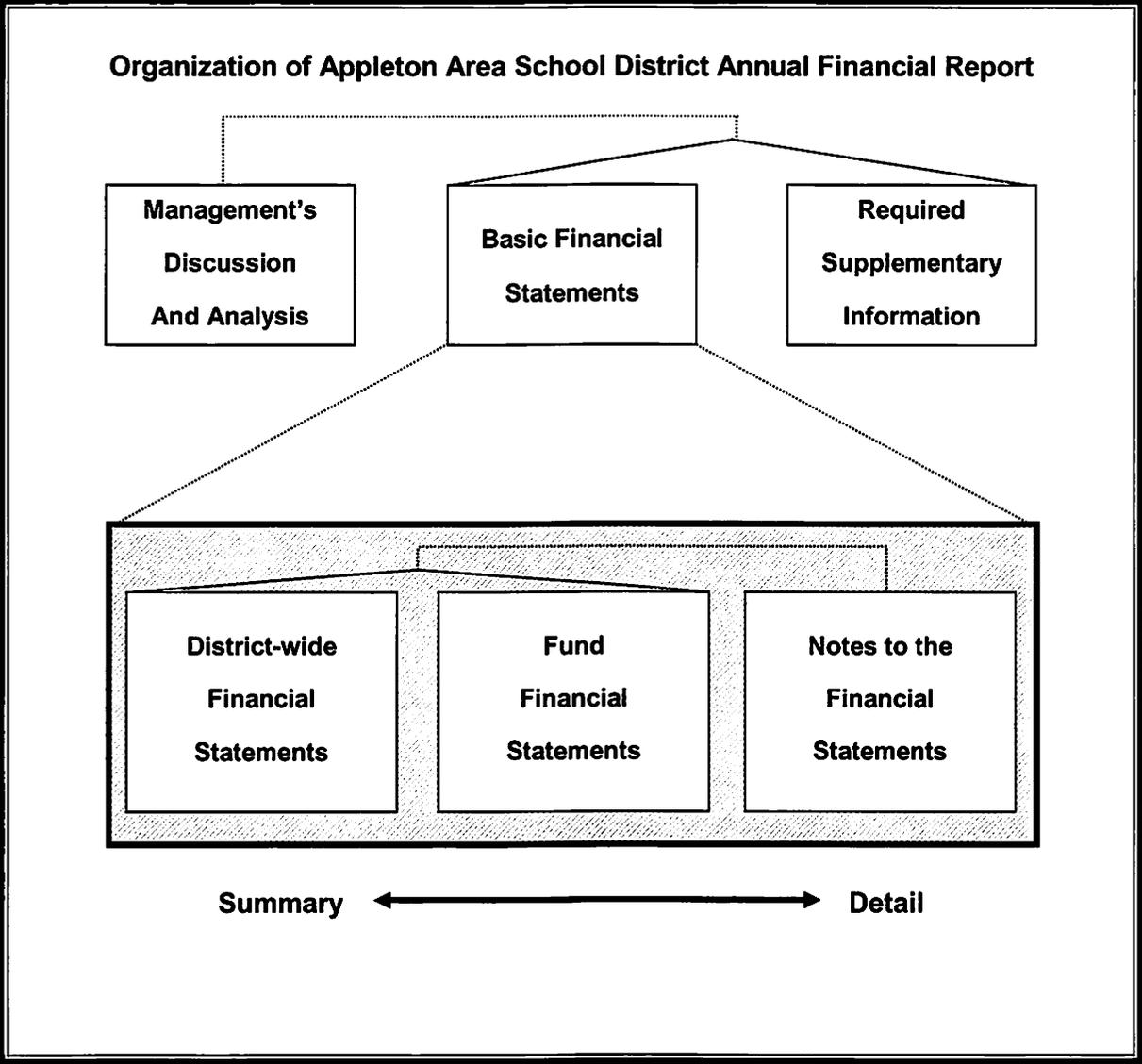
- Spending restraint was demonstrated in several general fund categories including capital projects, technology purchases and educational and administrative staffing.
- Fund Balance in the general fund increased by \$4,679,627.

### **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"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net position</li> <li>Statement of changes in fiduciary net position</li> </ul>
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, 2016 than it was the year before.

	2016 Governmental Activities	2015 Governmental Activities
Current and other assets	\$ 56,347,508	\$ 63,814,640
Capital assets	84,731,055	84,158,306
<b>Total Assets</b>	<b>141,078,563</b>	<b>147,972,946</b>
Deferred Outflows of Resources		
Deferred charges	727,853	868,637
Deferred outflows related to pension	54,295,369	13,561,781
	<b>55,023,222</b>	<b>14,430,418</b>
Long-term obligations	99,210,376	97,135,481
Other liabilities	20,162,263	19,233,080
<b>Total Liabilities</b>	<b>119,372,639</b>	<b>116,368,561</b>
Deferred Inflows of Resources	21,504,043	76,629
Net Position		
Net investment in capital assets	42,316,055	38,898,306
Restricted	11,916,387	25,113,901
Unrestricted (deficit)	992,661	(18,054,033)
<b>Total Net Position</b>	<b>\$ 55,225,103</b>	<b>\$ 45,958,174</b>

The District's total net position increased to \$55,225,103 in 2015-2016. This is an increase of \$9,266,929. Total revenues were \$193,003,750, an increase of \$5,206,888, primarily due to an increase in state aids. Total cost of programs and services of \$183,736,821 was a decrease of \$1,953,031.

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**

	2016 Governmental Activities	2015 Governmental Activities
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 12,806,078	\$ 12,624,001
Operating grants and contributions	22,309,623	22,732,270
General Revenues		
Property taxes	68,239,203	66,201,597
State formula aid	87,256,273	85,187,060
Other	2,392,573	1,051,934
Total Revenues	193,003,750	187,796,862
<b>Expenses</b>		
Instruction	107,807,426	103,371,029
Support Services	62,382,924	70,288,516
Community services	1,373,576	1,333,476
Interest on debt	1,570,909	1,775,924
Non-Program	6,269,692	4,457,387
Depreciation - unallocated	4,332,294	4,463,520
Other	-	-
Total Expenses	183,736,821	185,689,852
Increase (Decrease) in Net Position	\$ 9,266,929	\$ 2,107,010

- The change in net position over the past year was an increase in net position of \$9,266,929. 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 \$183,736,821.
- The users of the district's programs financed some of the cost. (7.2%).
- The federal and state governments subsidized certain programs with grants and contributions. (13%).
- The remaining portion of governmental activities was financed with \$67,986,043 in property taxes and \$87,256,273 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 \$23,593,912 plus the total fund balance of all governmental funds of \$36,636,757. As the district completed the year, its governmental activities reported combined net position of \$55,225,103.

### ***General Fund Budgetary Highlights***

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

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

The result of these revisions generally was an increase of \$1,581,227 in the budgeted net change in fund balance.

## Capital Asset and Debt Administration

### Capital Assets

By the end of the 2015-16 fiscal year, the district had invested in a broad range of capital assets including land, buildings, athletic facilities, computer and audio-visual equipment, and other instructional or support equipment. (More detailed information about capital assets can be found in Note B3 to the financial statements.) Total depreciation expense for the year for governmental activities was \$4,332,294.

<b>Figure A-3 Capital Assets</b>		
	2016 Governmental Activities	2015 Governmental Activities
Land	\$ 7,593,005	\$ 7,593,005
Buildings	140,131,345	135,588,188
Machinery and equipment	24,452,630	24,780,182
Accumulated depreciation	(87,445,925)	(83,803,069)
Total	<u>\$ 84,731,055</u>	<u>\$ 84,158,306</u>

### Long-Term Obligations

At year-end, the district had \$45,115,000 in general obligation bonds and notes as well as \$43,907,997 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the district's long-term liabilities is presented in Note B7 to the financial statements.)

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

<b>Figure A-4 Outstanding Long-term Obligations</b>		
	2016 Total District	2015 Total District
General obligation debt	\$ 45,115,000	\$ 48,550,000
Other	43,907,997	48,585,481
Total	<u>\$ 89,022,997</u>	<u>\$ 97,135,481</u>

### Factors Bearing on the District's Future

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

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

## **Contacting the District's Financial Management**

The financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of the Appleton Area School District at 122 E. College Avenue, Suite 1A, Appleton, WI or by calling (920) 832-6128.

## **BASIC FINANCIAL STATEMENTS**

**APPLETON AREA SCHOOL DISTRICT**

Appleton, Wisconsin  
Statement of Net Position  
June 30, 2016

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

	Governmental Activities		Component Unit
	2016	2015	Wisconsin Connections Academy
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 35,216,021	\$ 29,617,591	\$ 63,502
Receivables			
Taxes	14,380,355	13,961,382	-
Accounts	236,606	743,575	-
Due from other governments	6,514,526	4,000,566	-
<b>Total Current Assets</b>	<b>56,347,508</b>	<b>48,323,114</b>	<b>63,502</b>
Other Assets			
Net pension asset	-	15,491,526	-
Capital Assets			
Land	7,593,005	7,593,005	-
Buildings and improvements	140,131,345	135,588,188	-
Machinery and equipment	24,452,630	24,780,182	-
Less: Accumulated depreciation	(87,445,925)	(83,803,069)	-
<b>Total Capital Assets, net of accumulated depreciation</b>	<b>84,731,055</b>	<b>84,158,306</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>141,078,563</b>	<b>147,972,946</b>	<b>63,502</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges	727,853	868,637	-
Deferred outflows related to pension	54,295,369	13,561,781	-
<b>Total Deferred Outflows of Resources</b>	<b>55,023,222</b>	<b>14,430,418</b>	<b>-</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,881,090	1,520,085	-
Accrued payroll liabilities	17,827,195	17,249,977	-
Accrued interest payable	451,512	459,838	-
Unearned revenues	2,466	3,180	-
<b>Total Current Liabilities</b>	<b>20,162,263</b>	<b>19,233,080</b>	<b>-</b>
Long-term obligations			
Due within one year	6,792,654	8,930,227	-
Due in more than one year	82,230,343	88,205,254	-
Net pension liability	10,187,379	-	-
<b>TOTAL LIABILITIES</b>	<b>119,372,639</b>	<b>116,368,561</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	21,504,043	76,629	-
<b>NET POSITION</b>			
Net investment in capital assets	42,316,055	38,898,306	-
Restricted for			
Debt service	3,326,705	3,326,010	-
Trust fund	928,328	905,759	-
Capital improvements	5,914,877	4,605,217	-
Food service	1,746,477	785,389	-
Pension benefits	-	15,491,526	-
Unrestricted (deficit)	992,661	(18,054,033)	63,502
<b>TOTAL NET POSITION</b>	<b>\$ 55,225,103</b>	<b>\$ 45,958,174</b>	<b>\$ 63,502</b>

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, 2016  
 (With summarized financial information for the year ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 107,807,426	\$ 10,545,375	\$ 11,013,690
Support services	62,382,924	2,244,991	10,279,451
Community services	1,373,576	15,712	6,450
Interest on debt	1,570,909	-	-
Non-program	6,269,692	-	1,010,032
Depreciation - unallocated	4,332,294	-	-
<b>Total Governmental Activities</b>	<u>183,736,821</u>	<u>12,806,078</u>	<u>22,309,623</u>
<b>Component Unit Activities</b>			
Wisconsin Connections Academy	8,048	8,200	-
<b>Total School District</b>	<u>\$ 183,744,869</u>	<u>\$ 12,814,278</u>	<u>\$ 22,309,623</u>

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

Change in net position  
 Net position - July 1, as originally reported  
 Cumulative effect of change in accounting principles  
 Net position - July 1, as restated  
 Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position		Component Unit
Governmental Activities		Wisconsin Connections Academy
2016	2015	

\$ (86,248,361)	\$ (81,060,167)	\$ -
(49,858,482)	(58,184,634)	-
(1,351,414)	(1,309,352)	-
(1,570,909)	(1,775,924)	-
(5,259,660)	(3,539,984)	-
(4,332,294)	(4,463,520)	-
<u>(148,621,120)</u>	<u>(150,333,581)</u>	-
-	-	152
<u>(148,621,120)</u>	<u>(150,333,581)</u>	<u>152</u>
59,317,331	56,323,335	-
4,741,712	5,949,951	-
2,460,000	2,460,000	-
1,467,000	1,467,000	-
253,160	1,311	-
87,256,273	85,187,060	-
22,467	27,140	181
892,182	353,922	391
1,477,924	670,872	4,311
<u>157,888,049</u>	<u>152,440,591</u>	<u>4,883</u>
9,266,929	2,107,010	5,035
45,958,174	15,176,309	58,467
-	28,674,855	-
<u>45,958,174</u>	<u>43,851,164</u>	<u>58,467</u>
<u>\$ 55,225,103</u>	<u>\$ 45,958,174</u>	<u>\$ 63,502</u>

**APPLETON AREA SCHOOL DISTRICT**

Appleton, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2016

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
<b>ASSETS</b>					
Cash and investments	\$ 28,982,638	\$ 2,397,631	\$ 3,835,752	\$ 35,216,021	\$ 29,617,591
Receivables					
Taxes	14,380,355	-	-	14,380,355	13,961,382
Accounts	229,651	-	6,955	236,606	743,575
Due from other funds	2,417	1,378,347	5,836,003	7,216,767	5,819,334
Due from other governments	6,101,872	-	412,654	6,514,526	4,000,566
<b>TOTAL ASSETS</b>	<b>\$ 49,696,933</b>	<b>\$ 3,775,978</b>	<b>\$ 10,091,364</b>	<b>\$ 63,564,275</b>	<b>\$ 54,142,448</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,208,322	\$ -	\$ 672,768	\$ 1,881,090	\$ 1,520,085
Accrued payroll liabilities	17,677,883	-	149,312	17,827,195	17,249,977
Due to other funds	7,214,350	-	2,417	7,216,767	5,819,334
Unearned revenues	2,466	-	-	2,466	3,180
<b>Total Liabilities</b>	<b>26,103,021</b>	<b>-</b>	<b>824,497</b>	<b>26,927,518</b>	<b>24,592,576</b>
<b>Fund Balances</b>					
Nonspendable	-	-	35,160	35,160	35,160
Restricted	-	3,775,978	8,591,921	12,367,899	10,082,213
Assigned	21,907,353	-	639,786	22,547,139	13,536,217
Unassigned	1,686,559	-	-	1,686,559	5,896,282
<b>Total Fund Balances</b>	<b>23,593,912</b>	<b>3,775,978</b>	<b>9,266,867</b>	<b>36,636,757</b>	<b>29,549,872</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 49,696,933</b>	<b>\$ 3,775,978</b>	<b>\$ 10,091,364</b>	<b>\$ 63,564,275</b>	<b>\$ 54,142,448</b>

(Continued)

**APPLETON AREA SCHOOL DISTRICT**

Appleton, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2016

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

	2016	2015
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown on the previous page	\$ 36,636,757	\$ 29,549,872
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	84,731,055	85,158,306
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension liability	(10,187,379)	15,491,526
Deferred outflows of resources	54,295,369	13,561,781
Deferred inflows of resources	(21,504,043)	(76,629)
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (45,115,000)	
Bond premium	(1,387,641)	
Post-employment health benefits payable	(39,293,529)	
Compensated absences	(3,226,827)	
Accrued interest on long-term obligations	(451,512)	
Deferred charges on advance refunding	727,853	
	<u>(88,746,656)</u>	<u>(96,726,682)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 12)	<u>\$ 55,225,103</u>	<u>\$ 46,958,174</u>

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
<b>Revenues</b>					
Property taxes	\$ 59,317,331	\$ -	\$ 8,668,712	\$ 67,986,043	\$ 66,200,286
Other local sources	1,986,274	1,899	2,133,143	4,121,316	3,324,404
Interdistrict sources	10,000,474	-	-	10,000,474	9,726,542
Intermediate sources	11,553	-	-	11,553	15,996
State sources	96,509,289	-	97,232	96,606,521	95,182,248
Federal sources	8,879,845	-	3,657,219	12,537,064	12,375,599
Other sources	1,380,971	-	352,419	1,733,390	811,195
<b>Total Revenues</b>	<b>178,085,737</b>	<b>1,899</b>	<b>14,908,725</b>	<b>192,996,361</b>	<b>187,636,270</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	65,554,324	-	69,682	65,624,006	67,441,683
Vocational instruction	3,295,753	-	3,180	3,298,933	3,645,216
Special education instruction	22,804,601	-	-	22,804,601	21,902,603
Other instruction	11,277,657	-	9,630	11,287,287	11,085,061
<b>Total Instruction</b>	<b>102,932,335</b>	<b>-</b>	<b>82,492</b>	<b>103,014,827</b>	<b>104,074,563</b>
<b>Support Services</b>					
Pupil services	8,532,945	-	1,080	8,534,025	8,992,552
Instructional staff services	9,092,183	-	21,624	9,113,807	8,842,759
General administration services	1,103,823	-	-	1,103,823	1,213,322
School administration services	8,620,106	-	-	8,620,106	8,613,089
Business services	1,104,521	-	-	1,104,521	1,147,696
Operations and maintenance of plant	18,606,703	-	1,152,252	19,758,955	35,960,283
Pupil transportation services	4,684,721	-	7,342	4,692,063	4,708,833
Food services	-	-	5,019,635	5,019,635	6,268,815
Central services	4,963,649	-	4,974	4,968,623	8,996,937
Insurance	1,061,837	-	-	1,061,837	993,432
Other support services	4,229,788	-	593	4,230,381	3,914,332
Community services	-	-	1,366,997	1,366,997	1,333,640
<b>Total Support Services</b>	<b>62,000,276</b>	<b>-</b>	<b>7,574,497</b>	<b>69,574,773</b>	<b>90,985,690</b>
<b>Debt Service</b>					
Principal	2,092,787	-	3,435,000	5,527,787	5,377,965
Interest	99,995	-	1,429,791	1,529,786	1,538,025
<b>Total Debt Service</b>	<b>2,192,782</b>	<b>-</b>	<b>4,864,791</b>	<b>7,057,573</b>	<b>6,915,990</b>
<b>Non-program</b>					
General tuition payments	5,075,394	-	-	5,075,394	4,019,973
Special education tuition payments	1,087,387	-	-	1,087,387	397,840
Adjustments and refunds	106,911	-	-	106,911	39,574
<b>Total Non-program</b>	<b>6,269,692</b>	<b>-</b>	<b>-</b>	<b>6,269,692</b>	<b>4,457,387</b>
<b>Total Expenditures</b>	<b>173,395,085</b>	<b>-</b>	<b>12,521,780</b>	<b>185,916,865</b>	<b>206,433,630</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	4,690,652	1,899	2,386,945	7,079,496	(18,797,360)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	7,389	-	-	7,389	160,592
Transfers in	-	-	18,414	18,414	2,873,085
Transfers out	(18,414)	-	-	(18,414)	(781,178)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,025)</b>	<b>-</b>	<b>18,414</b>	<b>7,389</b>	<b>2,252,499</b>
<b>Net Change in Fund Balances</b>	<b>4,679,627</b>	<b>1,899</b>	<b>2,405,359</b>	<b>7,086,885</b>	<b>(16,544,861)</b>
Fund Balances - July 1	18,914,285	3,774,079	6,861,508	29,549,872	46,094,733
Fund Balances - June 30	\$ 23,593,912	\$ 3,775,978	\$ 9,266,867	\$ 36,636,757	\$ 29,549,872

(Continued)

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

<u>Reconciliation to the Statement of Activities</u>	2016	2015
Net Change in Fund Balances from previous page	\$ 7,086,885	\$ (16,544,861)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 5,149,520	
Depreciation expense reported in the statement of activities	<u>(4,332,294)</u>	
Amount in which depreciation is less (greater) than capital outlays	817,226	14,327,014
Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(6,372,731)	301,823
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service and community service funds from proprietary funds to special revenue funds.	-	1,039,836
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.	(244,477)	-
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits decreased by:	2,493,362	974,875
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments is:	5,527,787	5,377,965
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	8,326	(188,450)
Bond premiums and deferred charges are reported in the governmental funds as a revenue and expenditures. In the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	<u>(49,449)</u>	<u>(49,449)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13-14)	<u>\$ 9,266,929</u>	<u>\$ 5,238,753</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, 2016  
 (With summarized financial information as of June 30, 2015)

	Private Purpose Trust Fund	Agency Funds	Total Fiduciary Funds	
			2016	2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 129,632	\$ 2,258,210	\$ 2,387,842	\$ 2,254,120
<b>LIABILITIES</b>				
Due to student organizations		-	2,258,210	2,126,010
<b>NET POSITION</b>				
Restricted for Scholarships	\$ 129,632	\$ -	\$ 129,632	\$ 128,110

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Statement of Changes in Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2016  
 (With summarized financial information for the year ended June 30, 2015)

	Private Purpose Trust Fund	
	2016	2015
<b>ADDITIONS</b>		
Other local sources	\$ 1,522	\$ 1,927
Total Additions	<u>1,522</u>	<u>1,927</u>
<b>DEDUCTIONS</b>		
Trust fund disbursements	-	2,098
Adjustments and refunds	-	200
Total Deductions	<u>-</u>	<u>2,298</u>
Change in Net Position	1,522	(371)
Net Position - July 1	<u>128,110</u>	<u>128,481</u>
Net Position - June 30	<u>\$ 129,632</u>	<u>\$ 128,110</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, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

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

Discretely presented component unit

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

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

The above entity is included because its operations are controlled by District personnel and they provide services exclusively to students of the District. The financial information presented is for the fiscal year ended June 30, 2016. Complete financial statements for Wisconsin Connections Academy can be obtained from their office at 120 East Harris St. Appleton, WI 54911.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District reports the following major governmental funds:

**GENERAL FUND**

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

**CAPITAL PROJECTS FUND**

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

b. Accounts Receivable

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

c. Interfund Receivables and Payables

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

d. Prepaid Items

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

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

e. Capital Assets

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

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

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

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f. Compensated Absences

Prior to July 1, 2015, the District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, the secretaries, custodians, educational assistants and administrative support groups are entitled to the unused portion which is used to pay their group health insurance until the vested amount is exhausted. Beginning July 1, 2015, employees will not be able to use unused portions of sick time to pay group health insurance premiums. However, current employees were given a one-time option to convert unused sick time they had accumulated at that point in time into funds to pay health insurance premiums at retirement.

The District's employees also are granted vacation in varying amounts based on length of service. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category on the statement of net position. This item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

h. Long-term Obligations

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

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i. Pensions

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

j. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

DISTRICT-WIDE STATEMENTS

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

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

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

7. Reclassifications

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

**NOTE B - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

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

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

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

The carrying amount of the District's cash and investments totaled \$37,603,863 on June 30, 2016 as summarized below:

Deposits with financial institutions	\$ 20,196,568
Investments	
Wisconsin investment series cooperative	17,407,295
	\$ 37,603,863

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 35,216,021
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	129,632
Agency funds	2,258,210
	\$ 37,603,863

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

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

Custodial Credit Risk

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

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

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

As of June 30, 2016, \$16,439,814 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The amount of \$376,994 was collateralized with securities held by the pledging financial institution, but not in the name of the District.

Credit Risk

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

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aaa	Not Rated
Wisconsin Investment Series Cooperative	\$ 17,407,295	\$ -	\$ -	\$ -	\$ 17,407,295

Concentration of Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin Investment Series Cooperative	\$ 17,407,295	\$ 17,407,295	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$17,407,295 at year end invested in the Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

2. Property Taxes

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

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

3. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,593,005	\$ -	\$ -	\$ 7,593,005
Capital assets, being depreciated:				
Buildings and improvements	135,588,188	4,543,157	-	140,131,345
Machinery and equipment	24,780,182	606,363	933,915	24,452,630
Subtotals	160,368,370	5,149,520	933,915	164,583,975
Less accumulated depreciation for:				
Buildings and improvements	61,867,878	3,482,246	-	65,350,124
Machinery and equipment	21,935,191	850,048	689,438	22,095,801
Subtotals	83,803,069	4,332,294	689,438	87,445,925
Total capital assets, being depreciated, net	76,565,301	817,226	244,477	77,138,050
Governmental activities capital assets, net	\$ 84,158,306	\$ 817,226	\$ 244,477	84,731,055
Less related long-term debt outstanding				42,415,000
Net investment in capital assets				<u>\$ 42,316,055</u>

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

4. Interfund Receivable, Payables and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 2,417	\$ 7,214,350
Special Revenue Funds		
Trust	919,039	-
Indian education	-	2,417
Food service	1,679,178	-
General community service	721,996	-
Capital Projects Funds		
Capital projects	1,378,347	-
Capital expansion	2,515,790	-
Totals	\$ 7,216,767	\$ 7,216,767

Interfund transfers for the year ended June 30, 2016 were as follows:

	Debt Service Fund Non- Referendum Debt Service
Transfers from:	
General Fund	\$ 18,414

5. Short-term Debt

The District issued tax anticipation notes in advance of property tax collections and state aid. The notes are needed because payments for the year begin in July whereas the final tax collection is received from the County the following year in August and state aid begins in December. Short-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Taxable tax anticipation notes	\$ -	\$ 18,750,000	\$ 18,750,000	\$ -

Total interest paid during the year on short-term debt totaled \$41,062.

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Leases  
 OPERATING LEASES

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

Year Ending June 30,	Amount
2017	\$ 546,507
2018	510,709
2019	517,147
2020	251,163
	<u>\$ 1,825,526</u>

Rent expense under all operating leases for the year ended June 30, 2016 amounted to \$533,919.

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2016:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16	Amount Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Bonds	\$ 42,570,000	\$ -	\$ 2,765,000	\$ 39,805,000	\$ 2,840,000
Notes	5,980,000	-	670,000	5,310,000	665,000
<b>Total General Obligation Debt</b>	<b>48,550,000</b>	<b>-</b>	<b>3,435,000</b>	<b>45,115,000</b>	<b>3,505,000</b>
Bond premium	1,478,976	-	91,335	1,387,641	91,335
Capital leases	2,092,787	-	2,092,787	-	-
Post-employment health benefits payable	41,447,450	1,909,883	4,063,804	39,293,529	2,941,974
Compensated absences	3,566,269	254,346	593,788	3,226,827	254,345
<b>Governmental activities Long-term obligations</b>	<b>\$ 97,135,482</b>	<b>\$ 2,164,229</b>	<b>\$ 10,276,714</b>	<b>\$ 89,022,997</b>	<b>\$ 6,792,654</b>

Total interest paid during the year on long-term debt totaled \$1,488,724.

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

**Bonds**

\$4,265,000 issued 3/3/08; \$350,000 to \$365,000 due annually through 2018; interest 3.75%	\$ 715,000
\$7,135,000 issued 7/16/12; \$95,000 to \$1,825,000 due annually through 2025; interest 2.0% to 2.3%	6,805,000
\$6,040,000 issued 7/16/12; \$620,000 to \$735,000 due annually through 2020; interest 1.25%-1.8% (not capital asset related)	2,700,000
\$29,075,000 issued 6/2/14; \$460,000 to \$2,350,000 to begin in 2016 through 2034; interest 2.0% - 4.0%	29,075,000
\$2,255,000 issued 6/2/14; \$510,000 due in 2017; interest 1.0% - 1.25%	510,000

**Notes**

\$1,000,000 issued 10/01/07; \$165,000 due in 2017; interest 4.25%	165,000
\$2,000,000 issued 4/28/08; \$270,000 to \$285,000 due annually through 2018; interest 3.75% - 4.45%	555,000
\$2,250,000 issued 8/30/10; \$230,000 to \$635,000 due annually through 2020; interest 4.40%	1,840,000
\$2,750,000 issued 7/16/12; \$1,360,000 due in 2021 and \$1,390,000 due in 2022; interest 2.0% - 2.25%	2,750,000

Total Outstanding General Obligation Debt	\$ 45,115,000
---	---------------

Annual principal and interest maturities of the outstanding general obligation debt of \$45,115,000 on June 30, 2016 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 3,505,000	\$ 1,373,193	\$ 4,878,193
2017	3,590,000	1,288,025	4,878,025
2018	3,675,000	1,215,468	4,890,468
2019	3,785,000	1,112,328	4,897,328
2020	3,885,000	904,298	4,789,298
2021-2025	9,970,000	3,524,500	13,494,500
2026-2030	9,910,000	2,211,515	12,121,515
2031-2034	6,795,000	510,551	7,305,551
	\$ 45,115,000	\$ 12,139,878	\$ 57,254,878

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Qualified School Construction Bonds

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

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2016 was \$675,604,730 as follows:

Equalized valuation of the District		\$ 7,173,930,250
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		717,393,025
Total outstanding general obligation debt applicable to debt limitation	\$ 45,115,000	
Less: Amounts available for financing general obligation debt		
Debt service funds, less accrued interest	3,326,705	
Net outstanding general obligation debt applicable to debt limitation		41,788,295
Legal Margin for New Debt		\$ 675,604,730

8. Pension Plan

a. Plan Description

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

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

The WRS also provides death and disability benefits for employees.

**b. Post-Retirement Adjustments**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**c. Contributions**

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

During the reporting period, the WRS recognized \$6,025,561 in contributions from the District.

Contribution rates as of June 30, 2016 are:

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

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

At June 30, 2016, the District reported a liability of \$10,187,379 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.62692309%, which was a decrease of 0.00376912% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$12,263,715. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,733,777	\$ 21,439,164
Changes in assumptions	7,127,534	-
Net differences between projected and actual earnings on pension plan investments	41,743,683	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	64,879
Employer contributions subsequent to the measurement date	3,690,375	-
<b>Total</b>	<b>\$ 54,295,369</b>	<b>\$ 21,504,043</b>

The \$3,690,375 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 13,141,881	\$ 5,207,172
2017	13,141,881	5,207,172
2018	13,141,881	5,207,172
2019	10,951,320	5,196,449
2020	228,031	686,079
<b>Total</b>	<b>\$ 50,604,994</b>	<b>\$ 21,504,044</b>

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<b>Core Fund Asset Class</b>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<b>Variable Fund Asset Class</b>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 71,454,468	\$ 10,187,379	\$ (37,663,311)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

f. Payable to WRS

At June 30, 2016, the District reported a payable of \$2,477,760 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2016.

8. Fund Equity

Fund Statements

In the fund financial statements, portions of governmental fund balances are not available for expenditure. At June 30, 2016, nonspendable fund balance was as follows:

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

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Also in the fund financial statements, portions of governmental fund balances have been restricted to represent constraints placed by external parties or through constitutional provisions or enabling legislation. At June 30, 2016, fund balance restricted was as follows:

Special Revenue Funds	
Trust Fund	
Scholarships	\$ 928,328
Food Service	1,746,477
Debt Service Funds	
Retirement of long-term debt	3,778,217
Capital Project Funds	
Capital improvements	5,914,877
	<u>\$ 12,367,899</u>

Also in the fund financial statements, portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2016, fund balance assigned was as follows:

General Fund	
Retiree health insurance	\$ 6,446,448
Encumbrances	415,449
Health Reimbursement accounts for carryovers	3,948,922
Cash flows needs for subsequent year	9,803,510
Internal Technology revenue limit exemption	1,255,015
Non specific grants	38,009
Total General Fund	<u>21,907,353</u>
Special Revenue Funds	
General community service	639,786
	<u>\$ 22,547,139</u>

**9. Component Unit**

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

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

**a. Basis of Accounting/Measurement Focus**

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

**b. Deposits and Investments**

At year-end, the carrying amount of Wisconsin Connections Academy's deposits was \$63,502 and the bank balance was \$63,502. The entire bank balance was covered by federal depository insurance.

**APPLETON AREA SCHOOL DISTRICT**  
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**NOTE C - OTHER INFORMATION**

1. Postemployment Benefits Other Than Pension Benefits

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2015, the date of the latest actuarial valuation, was 1,716 active and 295 retired employees receiving benefits.

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

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
-------------	--------------	---------------------------------------	---------	-----------------------

Teachers/  
Administrators

55  
56  
57  
58

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

10

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

For retirees prior to June 30, 2007, the District shall pay health insurance premiums for up to ten years or age 65, whichever is sooner, for any teacher who voluntarily retires pursuant to the Teacher Emeritus Program, in addition to the benefits above. Retirees may continue in the plan by paying 100% of the premium.

For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.

(Continued)

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**NOTE C - OTHER INFORMATION (Continued)**

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2016

**NOTE C - OTHER INFORMATION (Continued)**

b. Annual OPEB Cost and Net OPEB Obligation

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

Component	Amount
Annual required contribution	\$ 2,719,482
Interest on net OPEB	1,243,424
Adjustment to annual required contribution	<u>(2,053,023)</u>
Annual OPEB cost (expense)	1,909,883
Contributions made	<u>4,063,804</u>
Change in net OPEB obligation	<u>(2,153,921)</u>
OPEB obligation - beginning of year	41,447,450
OPEB obligation - end of year	<u><u>\$ 39,293,529</u></u>

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

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

Valuation date	July 1, 2015
Actuarial cost method	Unit Credit Actuarial
Amortization method	Level Dollar Amortization
Remaining amortization period	30
Actuarial assumptions:	
Investment rate of return	3.00%
Healthcare cost trend rate	5.6% initial 4.1% ultimate

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2016

**NOTE C - OTHER INFORMATION (Continued)**

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 2,985,313	141.4%	\$ 42,352,599
6/30/2015	\$ 2,941,902	-93.0%	\$ 41,447,450
6/30/2016	\$ 1,909,883	212.8%	\$ 39,293,529

c. **Funded Status and Funding Progress**

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

Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A
2013	\$ -	\$ 44,945,198	0.00%	\$ 44,945,198	N/A	N/A
2015	\$ -	\$ 30,717,625	0.00%	\$ 30,717,625	N/A	N/A

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

2. **Risk Management**

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2016

**NOTE C - OTHER INFORMATION (Continued)**

**3. Dental Self-Insurance**

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

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

At June 30, 2016, the District has reported a liability of \$788,355 which represents an estimate of incurred but not reported claims which were incurred on or before June 30, 2016, but were not paid by the District as of that date. The amounts not reported to the District were determined using data provided by the plan administrator. Changes in the program's claims liability amount for the years ended June 30, 2016 follows:

Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2016	\$ -	\$ 2,879,493	\$ 2,091,138
			\$ 788,355

**4. Contingencies**

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

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

**5. Limitation on School District Revenues**

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

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

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

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - OTHER INFORMATION (Continued)**

6. Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The District will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The District is currently evaluating the impact these standards 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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 59,317,331	\$ 59,317,331	\$ 59,317,331	\$ -
Other local sources	1,110,150	1,110,150	1,973,978	863,828
Interdistrict sources	9,220,000	9,220,000	9,927,243	707,243
State sources	89,482,349	89,482,349	89,769,779	287,430
Federal sources	5,737,717	5,737,717	5,366,403	(371,314)
Other sources	331,700	331,700	1,380,971	1,049,271
<b>Total Revenues</b>	<b>165,199,247</b>	<b>165,199,247</b>	<b>167,735,705</b>	<b>2,536,458</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	70,418,639	70,085,469	65,553,394	4,532,075
Vocational instruction	3,252,951	3,349,914	3,295,753	54,161
Other instruction	11,364,067	11,501,006	11,198,330	302,676
<b>Total Instruction</b>	<b>85,035,657</b>	<b>84,936,389</b>	<b>80,047,477</b>	<b>4,888,912</b>
<b>Support Services</b>				
Pupil services	6,204,655	4,776,261	4,751,860	24,401
Instructional staff services	6,542,115	7,888,641	8,078,174	(189,533)
General administration services	1,244,776	1,472,833	1,103,823	369,010
School administration services	8,757,778	8,763,887	8,620,106	143,781
Business services	1,109,750	1,110,169	1,064,913	45,256
Operations and maintenance of plant	14,431,972	14,568,008	18,591,565	(4,023,557)
Pupil transportation services	2,822,210	2,857,431	2,686,568	170,863
Central services	6,135,885	6,250,688	4,952,742	1,297,946
Insurance	1,065,000	1,065,000	1,061,837	3,163
Other support services	4,532,853	4,550,465	4,229,788	320,677
<b>Total Support Services</b>	<b>52,846,994</b>	<b>53,303,383</b>	<b>55,141,376</b>	<b>(1,837,993)</b>
<b>Debt Service</b>				
Principal	1,083,000	1,083,000	2,092,787	(1,009,787)
Interest	58,800	58,800	99,995	(41,195)
<b>Total Debt Service</b>	<b>1,141,800</b>	<b>1,141,800</b>	<b>2,192,782</b>	<b>(1,050,982)</b>
<b>Non-program</b>				
General tuition payments	3,790,500	3,790,500	5,075,394	(1,284,894)
Special education tuition payments	664,064	664,064	664,064	-
Adjustments and refunds	51,900	51,900	106,911	(55,011)
<b>Total Non-program</b>	<b>4,506,464</b>	<b>4,506,464</b>	<b>5,846,369</b>	<b>(1,339,905)</b>
<b>Total Expenditures</b>	<b>143,530,915</b>	<b>143,888,036</b>	<b>143,228,004</b>	<b>660,032</b>
<b>Excess of Revenues Over Expenditures</b>	<b>21,668,332</b>	<b>21,311,211</b>	<b>24,507,701</b>	<b>3,196,490</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	152,850	152,850	7,389	(145,461)
Transfers out	(21,776,094)	(22,775,306)	(19,835,463)	2,939,843
<b>Total Other Financing Sources (Uses)</b>	<b>(21,623,244)</b>	<b>(22,622,456)</b>	<b>(19,828,074)</b>	<b>2,794,382</b>
<b>Net Change in Fund Balance</b>	<b>45,088</b>	<b>(1,311,245)</b>	<b>4,679,627</b>	<b>5,990,872</b>
<b>Fund Balance - July 1</b>	<b>18,914,285</b>	<b>18,914,285</b>	<b>18,914,285</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 18,959,373</b>	<b>\$ 17,603,040</b>	<b>\$ 23,593,912</b>	<b>\$ 5,990,872</b>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other local sources	\$ 10,623	\$ 10,623	\$ 12,296	\$ 1,673
Interdistrict sources	50,000	50,000	73,231	23,231
Intermediate sources	15,000	15,000	11,553	(3,447)
State sources	6,737,275	6,737,275	6,739,510	2,235
Federal sources	3,520,936	3,520,936	3,513,442	(7,494)
<b>Total Revenues</b>	<b>10,333,834</b>	<b>10,333,834</b>	<b>10,350,032</b>	<b>16,198</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	858	14,478	930	13,548
Special education instruction	24,443,297	24,530,562	22,804,601	1,725,961
Other instruction	105,960	111,960	79,327	32,633
<b>Total Instruction</b>	<b>24,550,115</b>	<b>24,657,000</b>	<b>22,884,858</b>	<b>1,772,142</b>
<b>Support Services</b>				
Pupil services	3,940,177	4,141,484	3,781,085	360,399
Instructional staff services	1,184,719	1,081,643	1,014,009	67,634
General administration services	200	200	-	200
Business services	45,000	45,000	39,608	5,392
Operations and maintenance of plant	13,103	16,603	15,138	1,465
Pupil transportation services	2,204,615	2,070,311	1,998,153	72,158
Central services	11,250	11,250	10,907	343
<b>Total Support Services</b>	<b>7,399,064</b>	<b>7,366,491</b>	<b>6,858,900</b>	<b>507,591</b>
<b>Non-program</b>				
Special education tuition payments	157,135	582,035	423,323	158,712
<b>Total Expenditures</b>	<b>32,106,314</b>	<b>32,605,526</b>	<b>30,167,081</b>	<b>2,438,445</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(21,772,480)	(22,271,692)	(19,817,049)	2,454,643
<b>Other Financing Sources</b>				
Transfers in	21,772,480	22,271,692	19,817,049	(2,454,643)
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 For the Year Ended June 30, 2016

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 5,760,637	\$ 11,651,000	49.44%
2013	5,415,158	15,187,566	35.66%
2014	4,219,784	3,836,706	109.98%
2015	3,847,051	3,743,199	102.77%
2016	4,063,804	2,719,482	149.43%

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Funding Progress  
 Other Post-Employment Benefit Plan  
 For the Year Ended June 30, 2016

Actuarial Valuation Date July 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2011	\$ -	\$ 123,932,422	0.00%	\$ 123,932,422	N/A	N/A
2013	\$ -	\$ 44,945,198	0.00%	\$ 44,945,198	N/A	N/A
2015	\$ -	\$ 30,717,625	0.00%	\$ 30,717,625	N/A	N/A

See Notes to Required Supplementary Information.

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

	2015	2016
Proportion of the net pension liability (asset)	0.63069221%	0.62692309%
Proportionate share of the net pension liability (asset)	\$ (15,491,526)	\$ 10,187,379
Covered-employee payroll	\$ 87,953,382	\$ 88,611,191
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

\* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

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

	2015	2016
Contractually required contributions	\$ 6,156,737	\$ 6,025,561
Contributions in relation to the contractually required contributions	\$ 6,156,737	\$ 6,025,561
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 87,953,382	\$ 88,611,191
Contributions as a percentage of covered-employee payroll	7.00%	6.80%

\* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT**  
Appleton, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

**NOTE A - WISCONSIN RETIREMENT SYSTEM**

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

**NOTE B - SCHEDULE OF FUNDING PROGRESS**

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

- 1) The healthcare cost trend rate has decreased.

**NOTE C - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2016.

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Notes to Required Supplementary Information  
 For the Year Ended June 30, 2016

**NOTE C - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

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

	General Fund	Special Education Fund
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 167,735,705	\$ 10,350,032
Reclassification of special education	10,350,032	(10,350,032)
<b>Total Revenues</b>	<u>178,085,737</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	143,228,004	30,167,081
Reclassification of special education	30,167,081	(30,167,081)
<b>Total Expenditures</b>	<u>173,395,085</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	24,507,701	(19,817,049)
Reclassification of special education	(19,817,049)	19,817,049
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>4,690,652</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(19,828,074)	19,817,049
Reclassification of special education	19,817,049	(19,817,049)
<b>Total Other Financing Sources (Uses)</b>	<u>(11,025)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	4,679,627	-
<b>Fund Balance - July 1</b>		
Actual amounts (budgetary basis)	<u>18,914,285</u>	<u>-</u>
<b>Fund Balance - June 30</b>		
Actual amounts (budgetary basis)	<u>\$ 23,593,912</u>	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

**APPLETON AREA SCHOOL DISTRICT**

Appleton, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

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

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
<b>ASSETS</b>				
Cash and investments	\$ 43,914	\$ -	\$ 8,561	\$ -
Receivables				
Accounts	2,304	-	-	4,651
Due from other funds	919,039	-	1,679,178	721,996
Due from other governments	-	2,417	410,237	-
<b>TOTAL ASSETS</b>	<b>\$ 965,257</b>	<b>\$ 2,417</b>	<b>\$ 2,097,976</b>	<b>\$ 726,647</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,769	\$ -	\$ 202,187	\$ 86,861
Accrued payroll liabilities	-	-	149,312	-
Due to other funds	-	2,417	-	-
<b>Total Liabilities</b>	<b>1,769</b>	<b>2,417</b>	<b>351,499</b>	<b>86,861</b>
<b>Fund Balances</b>				
Nonspendable	35,160	-	-	-
Restricted	928,328	-	1,746,477	-
Assigned	-	-	-	639,786
<b>Total Fund Balances</b>	<b>963,488</b>	<b>-</b>	<b>1,746,477</b>	<b>639,786</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 965,257</b>	<b>\$ 2,417</b>	<b>\$ 2,097,976</b>	<b>\$ 726,647</b>

Debt Service Funds		Capital Project Fund	Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Capital Expansion Fund	2016	2015
\$ 73,249	\$ 3,704,968	\$ 5,060	\$ 3,835,752	\$ 3,851,540
-	-	-	6,955	-
-	-	2,515,790	5,836,003	3,280,089
-	-	-	412,654	429,286
<u>\$ 73,249</u>	<u>\$ 3,704,968</u>	<u>\$ 2,520,850</u>	<u>\$ 10,091,364</u>	<u>\$ 7,560,915</u>

\$ -	\$ -	\$ 381,951	\$ 672,768	\$ 572,414
-	-	-	149,312	108,238
-	-	-	2,417	18,755
-	-	381,951	824,497	699,407

-	-	-	35,160	35,160
73,249	3,704,968	2,138,899	8,591,921	6,308,134
-	-	-	639,786	518,214
<u>73,249</u>	<u>3,704,968</u>	<u>2,138,899</u>	<u>9,266,867</u>	<u>6,861,508</u>
<u>\$ 73,249</u>	<u>\$ 3,704,968</u>	<u>\$ 2,520,850</u>	<u>\$ 10,091,364</u>	<u>\$ 7,560,915</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, 2016  
(With summarized financial information for the year ended June 30, 2015)

	Special Revenue Funds			
	Trust Fund	Indian Education Fund	Food Service	General Community Service
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 1,467,000
Other local sources	122,319	-	1,983,636	22,162
State sources	-	-	97,232	-
Federal sources	-	17,762	3,639,457	-
Other sources	-	-	260,398	-
<b>Total Revenues</b>	<b>122,319</b>	<b>17,762</b>	<b>5,980,723</b>	<b>1,489,162</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	53,213	16,469	-	-
Vocational instruction	3,180	-	-	-
Other instruction	9,630	-	-	-
<b>Total Instruction</b>	<b>66,023</b>	<b>16,469</b>	<b>-</b>	<b>-</b>
<b>Support Services</b>				
Pupil services	1,080	-	-	-
Instructional staff services	20,868	756	-	-
Operations and maintenance of plant	-	-	-	-
Pupil transportation services	6,805	537	-	-
Food services	-	-	5,019,635	-
Central services	4,974	-	-	-
Other support services	-	-	-	593
Community services	-	-	-	1,366,997
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Support Services</b>	<b>33,727</b>	<b>1,293</b>	<b>5,019,635</b>	<b>1,367,590</b>
<b>Total Expenditures</b>	<b>99,750</b>	<b>17,762</b>	<b>5,019,635</b>	<b>1,367,590</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>22,569</b>	<b>-</b>	<b>961,088</b>	<b>121,572</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>22,569</b>	<b>-</b>	<b>961,088</b>	<b>121,572</b>
<b>Fund Balances - July 1</b>	<b>940,919</b>	<b>-</b>	<b>785,389</b>	<b>518,214</b>
<b>Fund Balances - June 30</b>	<b>\$ 963,488</b>	<b>\$ -</b>	<b>\$ 1,746,477</b>	<b>\$ 639,786</b>

Debt Service Funds		Capital Project Fund	Total Nonmajor Governmental Funds	
Non-Referendum Debt Service Fund	Referendum Debt Service Fund	Capital Expansion Fund	2016	2015
\$ 1,408,577	\$ 3,333,135	\$ 2,460,000	\$ 8,668,712	\$ 9,876,951
63	4,950	13	2,133,143	2,123,872
-	-	-	97,232	98,299
-	-	-	3,657,219	3,748,530
92,021	-	-	352,419	392,738
<u>1,500,661</u>	<u>3,338,085</u>	<u>2,460,013</u>	<u>14,908,725</u>	<u>16,240,390</u>
-	-	-	69,682	92,630
-	-	-	3,180	-
-	-	-	9,630	31,552
-	-	-	82,492	124,182
-	-	-	1,080	300,000
-	-	-	21,624	41,088
-	-	1,152,252	1,152,252	2,062,008
-	-	-	7,342	3,932
-	-	-	5,019,635	6,268,815
-	-	-	4,974	2,367
-	-	-	593	-
-	-	-	1,366,997	1,333,640
1,260,000	2,175,000	-	3,435,000	4,295,000
252,731	1,177,060	-	1,429,791	1,493,918
<u>1,512,731</u>	<u>3,352,060</u>	<u>1,152,252</u>	<u>12,439,288</u>	<u>15,800,768</u>
<u>1,512,731</u>	<u>3,352,060</u>	<u>1,152,252</u>	<u>12,521,780</u>	<u>15,924,950</u>
<u>(12,070)</u>	<u>(13,975)</u>	<u>1,307,761</u>	<u>2,386,945</u>	<u>315,440</u>
18,414	-	-	18,414	2,873,085
-	-	-	-	(777,564)
<u>18,414</u>	<u>-</u>	<u>-</u>	<u>18,414</u>	<u>2,095,521</u>
6,344	(13,975)	1,307,761	2,405,359	2,410,961
66,905	3,718,943	831,138	6,861,508	4,450,547
<u>\$ 73,249</u>	<u>\$ 3,704,968</u>	<u>\$ 2,138,899</u>	<u>\$ 9,266,867</u>	<u>\$ 6,861,508</u>

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Pupil Activity Fund  
 Schedule of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2016

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
<b>ASSETS</b>				
Cash	\$ 2,126,010	\$ 4,472,648	\$ 4,340,448	\$ 2,258,210
<b>LIABILITIES</b>				
Due to student organizations				
Senior high schools	\$ 1,389,379	\$ 3,419,810	\$ 3,318,413	\$ 1,490,776
Middle schools	269,326	378,663	344,973	303,016
Elementary schools	467,305	674,175	677,062	464,418
<b>TOTAL LIABILITIES</b>	<b>\$ 2,126,010</b>	<b>\$ 4,472,648</b>	<b>\$ 4,340,448</b>	<b>\$ 2,258,210</b>

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Appleton Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Appleton Area School District's basic financial statements, and have issued our report thereon dated January 11, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

### **Appleton Area School District's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Appleton Area School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appleton Area School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
January 11, 2017

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

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

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

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

We have audited Appleton Area School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the State of Wisconsin that could have a direct and material effect on each of Appleton Area School District's major federal and state programs for the year ended June 30, 2016. Appleton Area School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Appleton Area School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the State of Wisconsin. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Appleton Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Appleton Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2015-002.

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

## Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2016-001 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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  
January 11, 2017

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program		10.553	A546-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
National School Lunch Program		10.555	A547-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Donated Commodities 14-15	WI Department of Public Instruction		
Total National School Lunch Program			
Special Milk Program for Children		10.556	A548-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Summer Food Service Program for Children		10.559	A586-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
<i>Total Child Nutrition Cluster</i>			
Fresh Fruit & Vegetable Program		10.582	A376-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
National Institute of Justice Research, Evaluation		16.560	A599-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Title I-A - Grants to Local Educational Agencies		84.010	A141-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Title I-A - Grants to Local Educational Agencies - Delinquent		84.010	A140-00000-440147
July 1, 2015 - June 30, 2016			
Title I-A - Grants to Local Educational Agencies - Reservation		84.010	
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Title I Focus School Grant		84.010	A145-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Academic Parent Reacher Program - Teams Pilot Schools Grant			
July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.010	
July 1, 2015 - June 30, 2016	WI Department of Public Instruction	84.010	
Total Title I-A			

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/15	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Revenue	Expenditures	Subrecipient Payments
\$ (89,897)	\$ 89,897	\$ -	\$ -	\$ -	\$ -
-	574,041	84,464	658,505	658,505	-
(322,075)	322,075	-	-	-	-
-	2,197,385	325,679	2,523,064	2,523,064	-
-	364,378	-	364,378	364,378	-
(322,075)	2,883,838	325,679	2,887,442	2,887,442	-
-	748	94	842	842	-
-	92,668	-	92,668	92,668	-
(411,972)	3,641,192	410,237	3,639,457	3,639,457	-
(13,558)	13,558	-	-	-	-
(425,530)	3,654,750	410,237	3,639,457	3,639,457	-
-	-	1,707	1,707	1,707	-
(364,696)	364,696	-	-	-	-
-	1,026,807	432,091	1,458,898	1,458,898	-
-	-	6,193	6,193	6,193	-
(157,537)	157,537	-	-	-	-
-	589,875	139,825	729,700	729,700	-
(1,273)	1,273	-	-	-	-
-	9,235	3,650	12,885	12,885	-
(10,019)	10,019	-	-	-	-
-	21,919	913	22,832	22,832	-
(533,525)	2,181,361	582,672	2,230,508	2,230,508	-

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States - Flow Thru July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.027	A341-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Special Education - Grants to States - Flow Thru EIS July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.027	
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Special Education - Grants to States - High Cost July 1, 2015 - June 30, 2016	WI Department of Public Instruction	84.027	
IDEA - Discretionary July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.027	A342-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Special Education - Grants to States			
Special Education - Preschool Grants July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.173	A347-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Special Education - Preschool Grants			
<i>Total Special Education Cluster (IDEA)</i>			
Career and Technical Education - Basic Grants to States July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.048	A400-00000-440147
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Career and Technical Education - Basic Grants to States			
School Climate Transformation July 1, 2014 - June 30, 2015	Direct Program	84.184G	N/A
July 1, 2015 - June 30, 2016	Direct Program		
Total School Climate Transformation			
Indian Education - Grants to Local Educational Agencies July 1, 2014 - June 30, 2015	Direct Program	84.060A	N/A
July 1, 2015 - June 30, 2016	Direct Program		
Total Indian Education - Grants to Local Educational Agencies			
Title VII-B - Education for Homeless Children and Youth July 1, 2014 - June 30, 2015	WI Department of Public Instruction	84.196	
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Title VII-B			

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/15	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Revenue	Expenditures	Subrecipient Payments
(603,259)	603,259	-	-	-	-
-	1,783,732	638,604	2,422,336	2,422,336	-
(114,492)	114,492	-	-	-	-
-	353,737	113,728	467,465	467,465	-
-	25,769	-	25,769	25,769	-
(2,355)	2,355	-	-	-	-
-	5,219	6,514	11,733	11,733	-
(720,106)	2,888,563	758,846	2,927,303	2,927,303	-
(28,082)	28,082	-	-	-	-
-	80,623	26,607	107,230	107,230	-
(28,082)	108,705	26,607	107,230	107,230	-
(29,806)	29,806	-	-	-	-
-	61,296	44,132	105,428	105,428	-
(29,806)	91,102	44,132	105,428	105,428	-
(99,405)	99,405	-	-	-	-
-	595,179	110,818	705,997	705,997	-
(99,405)	694,584	110,818	705,997	705,997	-
(3,756)	3,756	-	-	-	-
-	15,345	2,417	17,762	17,762	-
(3,756)	19,101	2,417	17,762	17,762	-
(11,635)	11,635	-	-	-	-
-	34,903	15,107	50,010	50,010	-
(11,635)	46,538	15,107	50,010	50,010	-

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
Charter Schools		84.282	
Kaleidoscope Academy Dissemination August 1, 2015 - July 31, 2015	WI Department of Public Instruction		
Appleton Technical Academy August 1, 2014 - July 31, 2015	WI Department of Public Instruction		
August 1, 2015 - July 31, 2016			
Total Charter Schools			
21st Century Community Learning Centers		84.287	A367-00000-440147
Multi-School July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Columbus July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Foster July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
Johnston July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total 21st Century Community Learning Centers			
Title III-A - English Language Acquisition Grants		84.365	A391-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Title III-A - English Language Acquisition Grants			
Title II-A - Improving Teacher Quality		84.367	A365-00000-440147
July 1, 2014 - June 30, 2015	WI Department of Public Instruction		
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		
Total Title II-A - Improving Teacher Quality			

**TOTAL U.S. DEPARTMENT OF EDUCATION**

(Continued)

Accrued (Receivable) Deferred Revenue 7/1/15	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Revenue	Expenditures	Subrecipient Payments
-	36,439	-	36,439	36,439	-
(5,992)	5,992	-	-	-	-
-	-	-	-	-	-
(5,992)	42,431	-	36,439	36,439	-
-	300,000	-	300,000	300,000	-
-	50,000	-	50,000	50,000	-
(29,881)	29,881	-	-	-	-
(24,917)	24,917	-	-	-	-
-	78,585	20,622	99,207	99,207	-
(54,798)	483,383	20,622	449,207	449,207	-
(34,285)	34,285	-	-	-	-
-	114,355	46,538	160,893	160,893	-
(34,285)	148,640	46,538	160,893	160,893	-
(94,839)	94,839	-	-	-	-
-	352,254	104,379	456,633	456,633	-
(94,839)	447,093	104,379	456,633	456,633	-
(1,616,229)	7,151,501	1,712,138	7,247,410	7,247,410	-

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Promoting Adolescent Health in Wisconsin through school based HIV/STD July 1, 2015 - June 30, 2016	WI Department of Health Services	93.079	A334-00000-440147
<i>Medicaid Cluster</i>			
Medical Assistance Program - School Based Services July 1, 2014 - June 30, 2015		93.778	
July 1, 2015 - June 30, 2016	WI Department of Health Services		
<i>Total Medicaid Cluster</i>			
Center for Disease Control July 1, 2014 - June 30, 2015	WI Department of Public Instruction	93.938	
Project Aware - Community of Hope July 1, 2014 - June 30, 2015	Direct Program	93.243	
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>TOTAL FEDERAL AWARDS</b>			

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

Accrued (Receivable) Deferred Revenue 7/1/15	Value or Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Revenue	Expenditures	Subrecipient Payments
-	7,473	4,443	11,916	11,916	-
(70,708)	70,708	-	-	-	-
-	1,611,223	-	1,611,223	1,611,223	-
(70,708)	1,681,931	-	1,611,223	1,611,223	-
1,882	(1,408)	-	474	474	-
(11,192)	29,720	6,349	24,877	24,877	-
(80,018)	1,717,716	10,792	1,648,490	1,648,490	-
\$ (2,121,777)	\$ 12,523,967	\$ 2,134,874	\$ 12,537,064	\$ 12,537,064	\$ -

**APPLETON AREA SCHOOL DISTRICT**  
**Appleton, Wisconsin**  
**Schedule of State Financial Assistance**  
**For the Year Ended June 30, 2016**

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

Handicapped pupils and school age parents	Direct Program	255.101	440147-100
Handicapped pupils and school age parents	CESA #6	255.101	749906-100
Handicapped pupils and school age parents	CCDEB	255.101	086908-100
State school lunch	Direct Program	255.102	440147-107
Common School Fund	Direct Program	255.103	440147-104
Bilingual-Bicultural education	Direct Program	255.106	440147-111
Transportation aid	Direct Program	255.107	440147-102
WI Morning Milk Program	Direct Program	255.109	440147-109
Equalization aids	Direct Program	255.201	440147-116
High Cost Special Education Aid	Direct Program	255.210	440147-119
Alcohol & Drug Abuse Program	Direct Program	255.306	440147-143
AODA Program Grants	Direct Program	255.321	440147-142
School breakfast program	Direct Program	255.344	440147-108
Wisconsin's Movin' Schools	Direct Program	255.345	440147-123
Tuition Payment	Direct Program	255.401	440147-157
Student Achievement Guarantee in Education	Direct Program	255.504	440147-160
Educator Effectiveness Grant	Direct Program	255.940	440147-154
Per Pupil Adjustment Aid	Direct Program	255.945	440147-113
Career and Technical Education Incentive Grant	Direct Program	255.950	440147-151
Total Wisconsin Department of Public Instruction			

**TOTAL STATE FINANCIAL ASSISTANCE**

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

Accrued (Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures	Subrecipient Payments
\$ -	\$ 6,701,621	\$ -	\$ 6,701,621	\$ 6,701,621	\$ -
-	4,755	-	4,755	4,755	-
-	6,798	-	6,798	6,798	-
-	62,368	-	62,368	62,368	-
-	703,106	-	703,106	703,106	-
-	326,920	-	326,920	326,920	-
-	109,388	-	109,388	109,388	-
-	1,624	-	1,624	1,624	-
(1,443,202)	84,086,137	1,476,400	84,119,335	84,119,335	-
-	37,889	-	37,889	37,889	-
(1,461)	1,461	26,900	26,900	26,900	-
-	1,550	-	1,550	1,550	-
-	33,240	-	33,240	33,240	-
-	1,200	-	1,200	1,200	-
-	33,883	-	33,883	33,883	-
-	1,511,486	-	1,511,486	1,511,486	-
-	31,228	62,737	93,965	93,965	-
-	-	2,231,100	2,231,100	2,231,100	-
-	32,028	-	32,028	32,028	-
(1,444,663)	93,686,682	3,797,137	96,039,156	96,039,156	-
\$ (1,444,663)	\$ 93,686,682	\$ 3,797,137	\$ 96,039,156	\$ 96,039,156	\$ -

**APPLETON AREA SCHOOL DISTRICT**

Appleton, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2016

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedules of Expenditures of Federal Awards and State Financial Assistance include the federal and state grant activity of the Appleton Area School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2016 basic financial statements. Accrued revenue at yearend consists of state program expenditures scheduled for reimbursement to the District in succeeding year while deferred revenue represents advances for state programs that exceed recorded District expenditures. The District has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

**NOTE C - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2015-2016 eligible costs under the State Special Education Program as reported by the District are \$26,199,740. Compiled information required by compliance requirement 1 – 1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

**NOTE D - OVERSIGHT AGENCIES**

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

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2016

**Section I - Summary of Auditors' Results**

Basic Financial Statements

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

Federal Awards and State Financial Assistance

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

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch
10.556	School Milk Program
10.559	Summer Food Service Program

Identification of major state programs:

State ID	Name of State Programs
255.101	State Special Education
255.106	Bilingual-Bicultural Education Aid
255.107	Pupil Transportation
255.201	Equalization Aids

Audit threshold used to determine between Type A and Type B programs:	
Federal Awards	\$750,000
State Financial Assistance	\$250,000

Auditee qualified as low-risk auditee Yes

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2016

**Section II - Financial Statement Findings**

Finding No.	Internal Control Deficiencies
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**2015-001      Preparation of Annual Financial Report**

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

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

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

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

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2016

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

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

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

**Condition:** The count of pupils receiving transportation from the School District has classification variances on the FY 2015-2016 Pupil Transportation report for the year ended June 30, 2016. A comparison of the totals reported to DPI and the District's transportation lists showed that the report totals match support but that certain categories were not in agreement. There was a three student difference between public and private for the Over 90 day, 2-5 mile category. There was a one student difference for the Over 90 day, 5-8 category. In addition, ridership logs were not available for 4 of 43 students tested. 2 of 43 students had a ridership log but their name was crossed off indicating they did not ride but were still claimed on the transportation report. 1 summer school student did not have an attendance log.

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

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

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

**Questioned Costs:** Not determined

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

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2016

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

Finding No.	Uniform Guidance Finding
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**2016-001      Uniform Grant Guidance Implementation**

*Federal CFDA – All federal programs*

**Compliance**

**Requirements:** Allowable costs/costs principles, cash management, procurement, reporting.

**Condition:** The District has various policies and procedures in place to safeguard its assets and establish related controls over receipts, disbursements, payroll transactions and general ledger maintenance. Federal awards received and disbursed by the District are managed through these district-wide policies and procedures; however, the policies and procedures have not been evaluated to ensure compliance with the requirements of Uniform Guidance.

**Criteria:** Uniform Guidance requires the District to maintain certain polices related to cash management, cost allowability, procurement, and conflict of interest provisions, along with appropriate financial management systems and internal controls over federal awards to safeguard federal funds.

**Cause:** The District has not finalized an assessment of its financial management system and related internal controls over federal awards, along with an evaluation of existing policies for compliance with Uniform Guidance by year end.

**Effect:** The District could become noncompliant with requirements of Uniform Guidance, resulting in future findings and questioned costs related to federal awards administered by the District. The District's 2016 audit in accordance with the requirements of Uniform Guidance did not identify any instances of noncompliance with respect to direct and material compliance requirements of its major federal award cluster.

**Recommendation:** We recommend the District finalize the assessment of its financial management system and related internal controls over federal awards during the 2017 fiscal year. This assessment should include evaluate existing policies and procedures to determine where additional enhancements should be made or new policies created, a plan to communicate these policies to District employees, and procedures to periodically review and update, as considered necessary.

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2016

**Section IV - Other Issues**

Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_ Yes        X   No

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

Department of Public Instruction	_____ <u>  X  </u>	Yes	_____	No
Department of Health Services	_____ <u>  X  </u>	Yes	_____	No

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

Name and signature of shareholder   
 \_\_\_\_\_  
 Paul G. Denis, CPA

Date of report January 11, 2017

**APPLETON AREA SCHOOL DISTRICT**  
 Appleton, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 For the Year Ended June 30, 2016

**Prior Year Audit Findings**

All findings noted in the 2015 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. Management continues to believe the cost to hire additional staff to eliminate the control deficiency identified as 2015-001 outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by Schenck prior to issuance.

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

**Corrective Action Plan**

Finding No.	Corrective Action Plan
<b>2015-001</b>	<p><b>Preparation of Annual Financial Report</b></p> <p>Management believes that the cost of hiring additional staff to prepare year end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received.</p>
<b>2015-002</b>	<p><b>Pupil Transportation</b></p> <p>The District is committed to accurate reporting for all aids and programs, thus will work to improve its pupil transportation reporting process through training and reviewing/updating of student counts.</p>
<b>2016-001</b>	<p><b>Uniform Grant Guidance Implementation</b></p> <p>As recommended, the District will continue to enhance its documentation as required by the Uniform Grant Guidance. We plan to use information provided by our auditors to insure that the documentation of our policies and procedures is comprehensive and well-designed.</p>

**Additional Response**

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

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