

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**IOLA, WISCONSIN**

**FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITOR'S REPORT**

**AS OF JUNE 30, 2011**

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

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**June 30, 2011**

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### Independent Auditor's Report

To the Board of Education  
School District of Iola-Scandinavia  
Iola, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District at June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011 on our consideration of the District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining nonmajor fund financial statements and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Accounting Workshop SC*

Accounting Workshop, SC  
November 9, 2011

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

The discussion and analysis of the District financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole.

#### THE DISTRICT

The administration of the School District of Iola-Scandinavia is exercised by a School Board (the "Board"). The Board consists of seven members who are elected for staggered three-year terms of office. The Board elects a President, Vice President, Clerk and Treasurer among its members for one-year terms.

Common School Districts hold an annual meeting, which may incorporate a public hearing, prior to adopting the budget for the ensuing year. The Board shall present at the annual meeting a full, itemized written report. The report shall state all receipts and expenditures of the District since the last annual meeting, the current fund equity of the District, the amount of the deficit and the bills payable of the District, the amount necessary to be raised by taxation for the support of the schools of the District for the ensuing year and the amount required to pay the principal and interest of any debt due during the ensuing year. The report shall also include the budget summary. The Board has the power and duty, among other things, to make rules for the organization, gradation, and government of the schools of the District, enter into agreements with other governmental units, tax for operation and maintenance, engage employees, including a District Administrator, and purchase school equipment.

#### School Board

The present members of the District Board and the expiration of their respective terms of office are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Expiration Of Term</u>
Tom Opperman, President	Farmer	April, 2013
Charlie Wasrud, Vice President	Self-Employed	April, 2012
William Peterson, Treasurer	Farmer	April, 2013
Colleen Sykes, Clerk	Homemaker	April, 2012
Kelton Wilhite, Board Member	Administrator	April, 2014
Bruce Beyersdorf, Board Member	Laborer	April, 2014
Jeffrey Oppor, Board Member	Laborer	April, 2014

#### Administration

The Board is empowered to employ a District Administrator to conduct the affairs and programs of the District. The District Administrator is Joseph Price. In addition, the District employs a Business Manager, Jon R. Novak. Other members of the Administration are listed below.

<u>Name</u>	<u>Title</u>
Sara Anderson	Middle/High School Principal
Tess Lecy-Wojcik	Elementary Principal
Larry Fechter	Buildings and Grounds Director
John Shepard	Transportation Supervisor

#### District Facilities

<u>Facility</u>	<u>Constructed</u>	<u>Additions</u>
Iola-Scandinavia Middle/High School	1979	1994, 2001
Iola-Scandinavia Elementary School	1961	1971, 1991, 2000
Iola-Scandinavia Community Fitness and Aquatic Center	2001	

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

#### GENERAL INFORMATION

##### Location

The School District of Iola-Scandinavia is located in central Wisconsin, approximately 20 miles east of the City of Stevens Point, 130 miles north of the City of Madison and 50 miles west of the City of Green Bay. The District is accessible via Interstate 39, U.S. Highway 10 and 45, and State Highways 161 and 49.

The District encompasses an area of 134 square miles, and is comprised of eight municipalities in Waupaca county and two towns in Portage County.

##### Education

The School District of Iola-Scandinavia offers a comprehensive educational program for students in the kindergarten through the twelfth grades. Through the use of one high school/middle school and one elementary school, students participate in excellent educational programs. The District has a 2001 estimated population of 4,098 and employs 160 people. Enrollment for the 2010-2011 school year is 760 students. For further information, the District's Website is [www.iola.k12.wi.us](http://www.iola.k12.wi.us).

##### Post-Secondary Education

Several post-secondary education facilities are located within a 49 mile radius of the School District. Four-year degree programs are offered at the University of Wisconsin-Stevens Point and University of Wisconsin-Oshkosh. Two-year programs are available at the Fox Valley Technical College campus located in the City of Appleton.

#### FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net assets, increased by \$142,174. The assets of the school district exceeded liabilities at the close of the fiscal year by \$8.9M (*net assets*). Of this amount, \$5M represents amounts invested in capital assets, net of related debt and \$1.6M is restricted for encumbrances, debt retirement, special trust fund purposes, food and community service programs. This results in net unrestricted assets of \$2.2M.
- The General Fund (Fund 10) fund balance increased by \$68,273. The original budget was adopted with a deficit of \$13,428. The original budget was amended during the year.
- Financial activity resulted in a surplus of \$18,528 in the Food Service Fund (Fund 50) and a deficit of \$271 in the Community Service Fund (Fund 80).
- Capital assets have been reported at \$16.3M less depreciation of \$6.5M for a net capital asset value of \$9.8M. (See Note 3) The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$300. A physical inventory of the District's assets has been maintained annually. The addition of asset depreciation has been incorporated in the financial report.
- The District did not issue any new general obligation debt during the year.
- The District contributed \$248,422 to the Employee Benefit Trust for the year.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements (district-wide and fund statements) including notes to the financial statements.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The Statement of Net Assets compares assets to liabilities to give an overall view of the financial health of the District.
- The Statement of Activities defines the entity's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General Revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the Change in Net Assets for the District from the previous year.
- The remaining statements: Balance Sheet - Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements and support the Statement of Net Assets.
- The Notes to the Financial Statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.
- Required Supplementary Information further explains and supports the financial statements by including a comparison of the District's budget data for the year and includes all reports in the financial statements through and including the financial notes.
- Additional Supplemental Information provides information specific to nonmajor governmental funds such as the TEACH WI Fund, Food Service Fund and the Community Service Fund.
- The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table. (Table #1).



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011

**Major Features of the District-wide and Fund Financial Statements**  
**Table #1**

	-----Fund Financial Statements-----			
	District Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds)	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <b><u>The District does not report any program for this designation.</u></b>	Assets held by the district on behalf of someone else. Student organizations that have funds on deposit with the district and the District's Pension Trust Fund are reported here.
Required financial statements	Statement of net assets, and Statement of activities	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and Statement of revenues, expenses and changes in net assets, and Statement of cash flows.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting  Economic resources focus	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.	Accrual accounting.  Economic resources focus.
Type of asset and 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 asset and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the 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 are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011

**Table #2**

<b><u>Condensed Statement of Net Assets</u></b>				
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Dollar Change</u></b>	<b><u>% Change</u></b>
<b><u>Assets</u></b>				
Current Assets	\$ 4,637,537	\$ 4,590,644	\$ 46,893	1.0
Capital Assets	<u>9,779,834</u>	<u>10,121,262</u>	<u>(341,428)</u>	(3.4)
<b>Total Assets</b>	<b><u>\$ 14,417,371</u></b>	<b><u>\$ 14,711,906</u></b>	<b><u>\$(294,535)</u></b>	<b>(2.0)</b>
<b><u>Liabilities</u></b>				
Current Liabilities	\$ 1,188,984	\$ 1,180,693	\$ 8,291	0.7
Non-Current Liabilities	<u>4,330,000</u>	<u>4,775,000</u>	<u>(445,000)</u>	(9.3)
<b>Total Liabilities</b>	<b><u>\$ 5,518,984</u></b>	<b><u>\$ 5,955,693</u></b>	<b><u>\$(436,709)</u></b>	<b>(7.3)</b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, net of related debt	\$ 5,004,834	\$ 4,921,262	\$ 83,572	1.7
Restricted	1,630,849	1,641,184	(10,335)	(0.6)
Unrestricted	<u>2,262,704</u>	<u>2,193,767</u>	<u>68,937</u>	3.1
<b>Total Net Assets</b>	<b><u>\$ 8,898,387</u></b>	<b><u>\$ 8,756,213</u></b>	<b><u>\$ 142,174</u></b>	<b>1.6</b>

**Statement of Net Assets: (Table #2)**

As of year end, the District reported total assets of \$14.4M and total liabilities of \$5.5M. Net assets amount to \$8.9M. \$5M of the net asset value is the District's investment in capital assets which includes the estimated historical cost of sites, site improvements, buildings, building improvements, furniture and equipment net of accumulated depreciation.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

**Table #3**

<u>Changes in Net Assets from Operating Results</u> <u>For Governmental Activities</u>					
	<u>Actual</u> <u>2010-11</u>	<u>%</u>	<u>Actual</u> <u>2009-10</u>	<u>%</u>	<u>%</u> <u>Change</u>
<b>Revenues:</b>					
<b>Program</b>					
Charges for Services	\$ 653,279	6.9	\$ 654,316	7.0	(0.2)
Operating Grants & Cont.	667,923	7.0	756,922	8.0	(11.8)
<b>General</b>					
Property & Other Taxes	4,027,300	42.3	3,856,836	40.9	4.4
General Fed & State Aid	4,113,015	43.2	4,088,042	43.4	0.6
Other	56,633	0.6	62,575	0.7	(9.5)
<b>Total Revenue</b>	<u>9,518,150</u>	100.0	<u>9,418,691</u>	100.0	1.1
<b>Expenses:</b>					
Instruction	5,160,605	55.0	5,119,814	54.9	0.8
Pupil & Instr. Ser.	570,777	6.1	514,545	5.5	10.9
Administration	1,114,269	11.9	1,080,977	11.6	3.1
Building and Grounds	1,058,488	11.3	1,118,909	12.0	(5.4)
Pupil Transportation	362,062	3.9	351,829	3.8	2.9
Other Support Services	585,868	6.2	578,351	6.2	1.3
Interest and Fees	202,156	2.2	224,106	2.4	(9.8)
Food Service	321,751	3.4	337,565	3.6	(4.7)
<b>Total Expense</b>	<u>9,375,976</u>	100.0	<u>9,326,096</u>	100.0	0.5
<b>Change in Net Assets</b>	<u>\$ 142,174</u>		<u>\$ 92,595</u>		

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 2011**

**Revenue** (Table #3)

- For the year, the District received \$9.5M in revenue. 42.3% of this total came from local school property tax and prior year tax backs. 43.2% of the total came in the form of federal and state aid. The District receives approximately 14% of all revenue in the form of specific use, state grants, federal aid and direct fees for services.
- Individuals who directly participated or benefited from a program offering contributed \$653,279 of the cost. Book and activity fees, admissions to athletic events, food service fees, open enrollment tuition and building rental fees are included here.
- In addition, Federal and State government subsidized certain programs with grants and contributions of \$667,923. Special education, transportation and food service aid are included here.

**Chart #1 - Table #3**

**This chart illustrates the breakout of revenues by source.**

**Revenue by Source - FY 10-11**



# SCHOOL DISTRICT OF IOLA-SCANDINAVIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

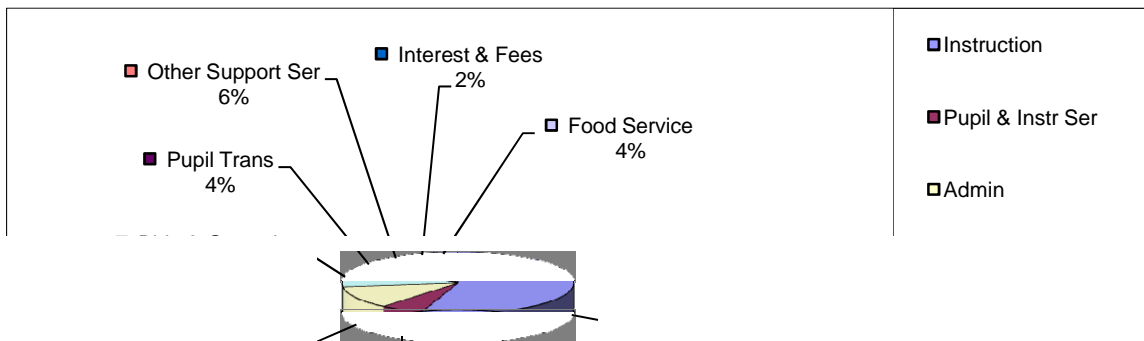
### Expenses (Table #3)

- For the year, the District's total expenditure amount was \$9.4M. 61.1% was directed to pupil instruction and instructional services. Costs for textbooks, teacher salaries/benefits and instructional supplies are included in this amount. General/Building Administration and Central Services account for 33.3%. These costs included student transportation, individual building budgets, district maintenance and school business insurance. The Food Service Program represents 3.4% and costs for debt service represents approximately 2.2% of total expenditures.

### Chart #2 - Table #3

This Chart illustrates the Distribution of costs by Function.

Expenses by Function - FY 10-11



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011

**Table #4**

<b>Net Cost of Governmental Activities</b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Instruction</b>	5,160,605	5,119,814	4,256,173	4,302,385
<b>Pupil &amp; Instr. Services</b>	570,777	514,545	536,173	466,386
<b>General &amp; Building Adm. Serv.</b>	2,172,757	2,199,886	2,171,937	2,031,198
<b>Business and Central Services</b>	947,930	930,180	905,590	887,605
<b>Food Service Program</b>	321,751	337,565	(17,255)	3,178
<b>Interest/fees, other</b>	202,156	224,106	202,156	224,106
<b>Total</b>	<u>9,375,976</u>	<u>9,326,096</u>	<u>8,054,774</u>	<u>7,914,858</u>

\* Total cost of all governmental activities was \$9.4M. (Table #4)

\* The net cost of governmental activities (\$8.1M) was financed by general revenues, which are primarily made up of property taxes (\$4M) and general federal and state aid (\$4.1M). Miscellaneous and investment earnings accounted for \$56,633. In addition, District operations were subsidized by \$1,321,202 which was collected through direct fees and contributions/grants.

**General Fund Budgetary Comparison:** The District adopts an interim budget in June for the subsequent year. Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification.

Fund 10 original budget was approved with a deficit of \$13,428 and adjusted to a surplus of \$71,572. The actual results for the year show a surplus of \$68,273.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

#### **Fund Balances :**

- The District shows a total for all fund balances of \$4M as of year end. (See Note #8).
- \$2.3M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short term operations. The Fund 10 fund balance is 27% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating and allows the District to respond to non-recurring economic needs.
- \$1.5M in the Special Revenue Trust Fund (Fund 21) is reserved for maintenance and operation of the aquatic/fitness center.
- \$98,262 in the Debt Service Fund (Fund 39) is reserved to make future debt payments on long-term debt.
- \$25,944 is reserved in the food service fund and \$8,878 committed in the community service fund for future expenditures.

#### **Governmental Activities:**

The condition of the District's financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing smaller capital improvement projects in all the buildings of the District. These funds have been expended from the General Fund and have been accommodated under the revenue cap. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure the physical plants in the District are kept in good condition and that costly major repairs may be averted through timely facility maintenance.

#### **Capital Asset and Debt Administration:**

##### **Capital Assets**

- In order to comply with GASB Statement #34, the District annually maintains its inventory of all capital assets over \$300 and estimated related depreciation. A comparison between fiscal years with additions and disposals is disclosed, see Note 3.

##### **Long-Term Debt**

- At year-end, the District had \$4.8M in Long-Term Governmental Obligations. The debt is related to building projects, representing a significant investment in the District's capital infrastructure.

General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for use for annual debt service payments. The District complies with all statutory requirements.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

#### **Decisions and Developments that will Impact the Future of the District**

- The State of Wisconsin has a history of budget deficits. Since the state budget funds a significant portion of the cost of K-12 education, local school districts, including Iola-Scandinavia, are concerned that the future funding level may be negatively impacted.
- Fuel prices have fluctuated dramatically in the United States. If this situation continues, utility and transportation costs of the District may exceed budget amounts.
- The State of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payment based on the number of students who transfer. The District has actively encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. This year the number of non-resident open enrollment pupils attending Iola-Scandinavia Schools exceeded the number of resident pupils attending other districts. It is important for the District to maintain a quality instructional program and attractive physical plant to maintain a competitive advantage for open enrollment pupils.
- One of the most important variables in the District's financial future is the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing annually. If rate increases continue, the cost of health benefits will have an impact on the instructional services provided in the District. Based on current trends, officials expect an increase next year. Administration has been implementing various employee cost sharing measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge.
- Beginning in FY10, the District recognizes a liability in the statement of net assets for any post-employment benefits owed to District employees. During FY 2005, the District established a pension benefit trust for funding purposes and engaged an actuary to compute the liability based on the current employee census. The District to date has funded \$1,003,722 of the actuarial accrued liability of \$3,029,028. This is an aidable cost under the current equalization aid formula. Governmental accounting standards require periodic re-valuations of the liability based on a changing employee census. See Note 15 for further information.

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

This Financial Report is designed to provide our citizens, taxpayers, 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, please contact Mr. Jon Novak, Business Manager, Iola-Scandinavia Schools, 450 Division Street, Iola, WI 54945, (715) 445-2411.



## **BASIC FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF NET ASSETS

June 30, 2011

---

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 3,136,551
Taxes receivable	1,346,435
Accounts receivable	-
Interest receivable	11,617
Due from other governments	98,618
Prepaid items	44,316
Total Current Assets	<u>4,637,537</u>
NONCURRENT ASSETS	
Capital assets	16,271,474
Less: Accumulated depreciation	<u>6,491,640</u>
Net Capital Assets	<u>9,779,834</u>
Total Assets	<u>14,417,371</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	721,618
Due agency fund	2,594
Current portion of long-term obligations	<u>464,772</u>
Total Current Liabilities	<u>1,188,984</u>
NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	<u>4,330,000</u>
Total Liabilities	<u>5,518,984</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,004,834
Restricted	1,630,849
Unrestricted	<u>2,262,704</u>
Total Net Assets	<u><u>\$ 8,898,387</u></u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Instruction</b>				
Regular	\$ 3,833,607	\$ 422,776	\$ 185,320	\$ (3,225,511)
Vocational	237,125	3,085	-	(234,040)
Special education	660,023	6,665	268,692	(384,666)
Other	429,850	17,894	-	(411,956)
Total Instruction	<u>5,160,605</u>	<u>450,420</u>	<u>454,012</u>	<u>(4,256,173)</u>
<b>Support Services</b>				
Pupil services	344,050	-	-	(344,050)
Instructional support services	226,727	-	34,604	(192,123)
Administration	1,114,269	-	-	(1,114,269)
Buildings and grounds	1,058,488	820	-	(1,057,668)
Pupil transportation	362,062	-	28,138	(333,924)
Other support services	285,222	-	-	(285,222)
Interest and fees	202,156	-	-	(202,156)
Food service	321,751	187,837	151,169	17,255
Community service	15,905	14,202	-	(1,703)
Depreciation-unallocated*	284,741	-	-	(284,741)
Total Support Services	<u>4,215,371</u>	<u>202,859</u>	<u>213,911</u>	<u>(3,798,601)</u>
Total Activities	<u>\$ 9,375,976</u>	<u>\$ 653,279</u>	<u>\$ 667,923</u>	<u>(8,054,774)</u>
<b>General Revenues</b>				
<b>Taxes</b>				
Property taxes:				
General purposes				3,354,539
Debt service				620,000
Community service				2,000
Other				50,761
State and federal aids not restricted to specific functions:				
General				4,113,015
Investment Income				55,928
Miscellaneous				3,098
Book value of capital asset disposals				(2,393)
Total General Revenues				<u>8,196,948</u>
Change in Net Assets				142,174
NET ASSETS-BEGINNING OF YEAR				<u>8,756,213</u>
NET ASSETS-END OF YEAR				<u>\$ 8,898,387</u>

\*This amount excludes the depreciation expense that is included in the direct expenses of the various functions.

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General Fund	Special Revenue Trust Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,543,263	\$ 1,486,148	\$ 98,262	\$ 8,878	\$ 3,136,551
Taxes receivable	1,346,435	-	-	-	1,346,435
Interest receivable	-	11,617	-	-	11,617
Due from other funds	61,459	-	-	38,508	99,967
Due from other governments	96,136	-	-	2,482	98,618
Other current assets	44,316	-	-	-	44,316
<b>TOTAL ASSETS</b>	<b>\$ 3,091,609</b>	<b>\$ 1,497,765</b>	<b>\$ 98,262</b>	<b>\$ 49,868</b>	<b>\$ 4,737,504</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 43,553	\$ -	\$ -	\$ 141	\$ 43,694
Accrued salaries and wages	301,306	-	-	14,905	316,211
Payroll taxes and withholdings	320,504	-	-	-	320,504
Due to other funds	102,561	-	-	-	102,561
<b>Total Liabilities</b>	<b>767,924</b>	<b>-</b>	<b>-</b>	<b>15,046</b>	<b>782,970</b>
<b>Fund Balances</b>					
Nonspendable	44,316	1,416,293	-	-	1,460,609
Restricted	-	81,472	98,262	25,944	205,678
Committed	-	-	-	8,878	8,878
Assigned	2,279,369	-	-	-	2,279,369
<b>Total Fund Balances</b>	<b>2,323,685</b>	<b>1,497,765</b>	<b>98,262</b>	<b>34,822</b>	<b>3,954,534</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,091,609</b>	<b>\$ 1,497,765</b>	<b>\$ 98,262</b>	<b>\$ 49,868</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,779,834
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:	
General obligation debt	(4,775,000)
Accrued interest on long-term debt	(41,209)
Postemployment benefits	(19,772)
<b>NET ASSETS</b>	<b>\$ 8,898,387</b>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011**

	General Fund	Special Revenue Trust Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local	\$ 3,559,236	\$ 44,826	\$ 621,236	\$ 205,239	\$ 4,430,537
Interdistrict	256,408	-	-	-	256,408
Intermediate	216,076	-	-	-	216,076
State	4,334,558	-	-	5,281	4,339,839
Federal	129,897	-	-	145,888	275,785
Other	1,898	-	-	-	1,898
Total Revenues	<u>8,498,073</u>	<u>44,826</u>	<u>621,236</u>	<u>356,408</u>	<u>9,520,543</u>
<b>EXPENDITURES</b>					
Instruction					
Regular	3,824,827	-	-	-	3,824,827
Special education	656,063	-	-	-	656,063
Vocational	236,995	-	-	-	236,995
Other	427,182	-	-	-	427,182
Total instruction	<u>5,145,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,145,067</u>
Support Services					
Pupil services	343,303	-	-	-	343,303
Instructional support services	225,360	-	-	-	225,360
Administration	1,093,824	-	-	-	1,093,824
Buildings and grounds	1,059,405	14,193	-	-	1,073,598
Pupil transportation	321,191	-	-	1,768	322,959
Other support services	291,287	-	-	-	291,287
Debt service					
Principal	-	-	425,000	-	425,000
Interest and fees	363	-	205,461	-	205,824
Food service	-	-	-	320,478	320,478
Total support services	<u>3,334,733</u>	<u>14,193</u>	<u>630,461</u>	<u>322,246</u>	<u>4,301,633</u>
Community services	-	-	-	15,905	15,905
Total Expenditures	<u>8,479,800</u>	<u>14,193</u>	<u>630,461</u>	<u>338,151</u>	<u>9,462,605</u>
Excess (deficiency) of revenues over expenditures	18,273	30,633	(9,225)	18,257	57,938
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	571,832	-	-	-	571,832
Operating transfers out	(521,832)	(50,000)	-	-	(571,832)
Net Change in Fund Balances	68,273	(19,367)	(9,225)	18,257	57,938
FUND BALANCES-BEGINNING OF YEAR	<u>2,255,412</u>	<u>1,517,132</u>	<u>107,487</u>	<u>16,565</u>	<u>3,896,596</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,323,685</u>	<u>\$ 1,497,765</u>	<u>\$ 98,262</u>	<u>\$ 34,822</u>	<u>\$ 3,954,534</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

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Net Change in Fund Balances - Total Governmental Funds		\$ 57,938
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, if the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay reported in governmental fund statements	104,552	
Depreciation expense reported in the statement of activities	(443,587)	
Net book value of assets disposed	<u>(2,393)</u>	(341,428)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.</p>		
		425,000
<p>Increase in postemployment benefit liability</p>		
		(3,004)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>3,668</u>
<b>CHANGE IN NET ASSETS</b>		<u><u>\$ 142,174</u></u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local	\$ 3,558,989	\$ 3,558,989	\$ 3,559,236	\$ 247
Interdistrict	256,300	269,300	256,408	(12,892)
Intermediate	132,100	187,100	216,076	83,976
State	4,336,515	4,351,515	4,334,558	(16,957)
Federal	102,551	132,551	129,897	(2,654)
Other	2,000	2,000	1,898	(102)
Total Revenues	<u>8,388,455</u>	<u>8,501,455</u>	<u>8,498,073</u>	<u>(3,382)</u>
<b>EXPENDITURES</b>				
Instruction				
Regular	3,556,992	3,536,992	3,530,890	6,102
Special education	574,210	574,210	656,063	(81,853)
Vocational	246,124	246,124	236,995	9,129
Other	422,215	428,215	427,182	1,033
Total instruction	<u>4,799,541</u>	<u>4,785,541</u>	<u>4,851,130</u>	<u>(65,589)</u>
Support Services				
Pupil services	325,021	349,021	343,303	5,718
Instructional support services	233,887	233,887	225,360	8,527
Administration	1,118,411	1,118,411	1,093,824	24,587
Buildings and grounds	1,101,811	1,059,811	1,059,405	406
Pupil transportation	315,149	315,149	321,191	(6,042)
Other support services	273,263	290,263	291,287	(1,024)
Debt service				
Interest and fees	600	600	363	237
Total support services	<u>3,368,142</u>	<u>3,367,142</u>	<u>3,334,733</u>	<u>32,409</u>
Non-program				
General tuition payments	279,200	294,200	293,937	263
Total non-program	<u>279,200</u>	<u>294,200</u>	<u>293,937</u>	<u>263</u>
Total Expenditures	<u>8,446,883</u>	<u>8,446,883</u>	<u>8,479,800</u>	<u>(32,917)</u>
Excess of revenues over expenditures	(58,428)	54,572	18,273	(36,299)
<b>OTHER FINANCING USES</b>				
Transfer from other funds	492,472	492,472	571,832	79,360
Transfer to other funds	(447,472)	(475,472)	(521,832)	(46,360)
Net Change in Fund Balance	(13,428)	71,572	68,273	(3,299)
FUND BALANCES-BEGINNING OF YEAR	<u>2,255,412</u>	<u>2,255,412</u>	<u>2,255,412</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,241,984</u>	<u>\$ 2,326,984</u>	<u>\$ 2,323,685</u>	<u>\$ (3,299)</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

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	Private Purpose Trust	Employee Benefit Trust	Agency
<b>ASSETS</b>			
Cash and investments	\$ 58,402	\$ 1,003,722	\$ 86,886
Interest receivable	331	-	-
Due from other funds	-	-	2,594
Total Assets	<u>\$ 58,733</u>	<u>\$ 1,003,722</u>	<u>\$ 89,480</u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ -	\$ 89,480
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 89,480</u>
<b>NET ASSETS</b>	<u>\$ 58,733</u>	<u>\$ 1,003,722</u>	

See accompanying notes to the financial statements.



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	Private Purpose Trust	Employee Benefit Trust
<b>ADDITIONS</b>		
Contributions	\$ 9,400	\$ 291,989
Investment earnings	986	6,366
Total additions	<u>10,386</u>	<u>298,355</u>
<b>DEDUCTIONS</b>		
Benefits	<u>12,350</u>	<u>158,870</u>
<b>Change in Net Assets</b>	(1,964)	139,485
NET ASSETS-BEGINNING OF YEAR	<u>60,697</u>	<u>864,237</u>
NET ASSETS-END OF YEAR	<u><u>\$ 58,733</u></u>	<u><u>\$1,003,722</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

INDEX TO NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**INDEX TO NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

The accounting policies of the School District of Iola-Scandinavia ("the District") conform to generally accepted accounting principles as applicable to governmental units.

**A. REPORTING ENTITY**

The District is organized as a common 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 ten taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

**B. CHANGES IN ACCOUNTING METHODS AND BASIS OF FINANCIAL STATEMENT PRESENTATION**

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). Statement No. 34 makes the most significant change in financial reporting in over twenty years. Subsequent to the issuance of GASB 34, GASB issued the following standards to be implemented at the same time GASB 34 is adopted; *Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis For State and Local Governments: Omnibus*, *Statement No. 38, Certain Financial Statement Note Disclosures* and *Interpretation No. 6. Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The District has implemented this standard effective July 1, 2003 and accordingly has also implemented the provisions of GASB 37, GASB 38 and Interpretation No. 6.

Statement No. 34, among many other changes, adds two new "Government-Wide" (District-Wide) financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the District used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds are reported as governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

**C. BASIS OF PRESENTATION**

***District-wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitutes its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

**C. BASIS OF PRESENTATION (continued)**

**GOVERNMENTAL ACTIVITIES**

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

*General Fund*

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The special education fund has been combined with the general fund as the general fund is the primary source of financing for this fund.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

*Debt Service Funds*

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds*

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

*Permanent Funds*

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

**FIDUCIARY FUNDS (Not included in district-wide statements)**

*Private-Purpose Trust Funds*

Private-Purpose Trust Funds are used to account for resources legally held in trust for student scholarships and pension benefits.

*Agency Funds*

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

**C. BASIS OF PRESENTATION (continued)**

**GOVERNMENTAL ACTIVITIES (continued)**

**FIDUCIARY FUNDS (Not included in district-wide statements) (continued)**

**Major Funds**

The District reports the following major governmental funds:

General Fund  
Special Revenue Trust Fund  
Debt Service Fund

**Non-major Funds**

The District reports the following non-major funds:

Special Revenue Funds –  
Food Service Fund  
Community Service Fund

**Fiduciary Funds**

The District reports the following fiduciary funds:

Private – Purpose Trust Funds –  
Scholarship Fund  
Employee Benefits  
Agency Funds –  
Student Activity Fund

**D. BASIS OF ACCOUNTING**

The district-wide Statement of Net Assets and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

***D. BASIS OF ACCOUNTING (continued)***

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for district purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2010 tax roll:

Lien date and levy date	October, 2010
Tax bills mailed	December, 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale 2010 delinquent real estate taxes	October, 2014

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

***D. BASIS OF ACCOUNTING (continued)***

Charges for services provided other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

***E. MEASUREMENT FOCUS***

On the district-wide Statement of Net Assets and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

***F. INVENTORIES***

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

***G. LONG-TERM OBLIGATIONS***

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest are reported as expenditures.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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**H. CAPITAL ASSETS**

***District-Wide Statements***

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 2003, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the district-wide statements. Infrastructure assets may be accounted for prospectively from the date of implementation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Site improvements	10-20 years
- Buildings	50 years
- Building improvements	20 years
- Furniture and equipment	5-15 years
- Computer and related technology	5 years

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**I. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**J. BUDGETS**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1D.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***J. BUDGETS (continued)***

The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved by a two-thirds board action. There were no supplemental appropriations during the year. Appropriations lapse at year-end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level in the General Fund and at the fund levels for all other funds.

***K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS***

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

***L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS***

The District's policy regarding sick leave allows a certified teacher ten (10) days per year accumulating to a total of ninety (90) days. The liability for unused sick leave for certified staff lapses upon retirement or termination.

The District's policy regarding sick leave allows a noncertified employee ten (10) days per year accumulating to a total of sixty-five (65). A sick day is equivalent to the actual hours worked for non-fulltime employees. A noncertified employee with ten years of service with the District who resigns or retires, is entitled to \$20 per unused sick leave day for those days above forty-five (45) days to a maximum of twenty (20) such excess days.

Vacation days are not carried over from year to year.

Accumulated benefits are recorded as an expenditure in the year used. The estimated liability for employee's rights to receive compensation for possible future absences consists of \$1,167,776 for personal days and unused sick leave.

***M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS***

Teachers who are at least 55 years of age and have completed 15 years of full time employment with the District are eligible for early retirement. The District will contribute a monthly amount toward the retiree's health/dental insurance starting in September, following the retirement date, through the month in which the retiree reaches age 65 based on two formulas as selected by the retiree. See Note 15.

***N. OTHER ASSETS***

In governmental funds, debt issuance costs are recognized in the current period. For the district-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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**O. CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**P. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Q. EQUITY CLASSIFICATIONS**

***District-Wide Statements***

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Fund Statements***

Governmental fund equity is classified as fund balance.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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***Q. EQUITY CLASSIFICATIONS (continued)***

***Fund Statements (continued)***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year and the principal balance in the special revenue trust fund as it is required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are only available to service debt, a portion of the special revenue trust fund balance is earnings on the principal which is restricted for use by this fund and food service resources are required by law to be used within that program.
- **Committed:** This classification includes amounts that can be used only for specified purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Community service fund resources can only be utilized in that fund per School Board policy.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to its representative. This classification includes the fund balance for the General Fund. The District has assigned funds for maintaining an adequate fund balance to minimize borrowing for short-term purposes.
- **Unassigned:** This classification includes any residual fund balance of the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***R. USE OF ESTIMATES***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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**NOTE 2 – DEPOSITS AND INVESTMENTS**

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Total deposits and investments of the District consist of the following:

Deposits	\$ 3,233,367
Investments	<u>1,052,194</u>
Total Deposits and Investments	<u>\$ 4,285,561</u>
Per statement of net assets - deposits and investments	\$ 3,136,551
Per statement of net assets - fiduciary funds	<u>1,149,010</u>
Total	<u>\$ 4,285,561</u>

**Deposits**

At year end, the carrying amount of the District's deposits was \$3,233,367 and the bank balance was \$3,350,003. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, 1,806,170 was covered by federal depository insurance and collateral and \$1,543,833 was uninsured and uncollateralized.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts covered by insurance above.

Fluctuating cash flows during the year due to tax collections, receipts of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

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**Deposits (continued)**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The policy requires deposits to be made only in banks with FDIC coverage. The board approves depositories annually and as changes occur based on a recommendation from management.

**INVESTMENTS**

Investment of District funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

**INTEREST RATE RISKS**

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's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

INTEREST RATE RISKS (continued)

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 in years:

	Fair Value	< 1	1-5	6-10	> 10
Local Government Investment Pool	\$ 602,194	\$ 602,194	\$ -	\$ -	\$ -
U.S. Government Securities	450,000	-	350,000	50,000	50,000
Totals	<u>\$1,052,194</u>	<u>\$ 602,194</u>	<u>\$ 350,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the District's investments consisted of the following:

	Carrying Amount	Rating
WI Local Government Investment Pool	\$ 602,194	Not Rated
U.S. Government Securities	450,000	Not Rated
Totals	<u>\$1,052,194</u>	

***Fair (Market) Value of Deposits and Investments***

Deposits and investments are reported at fair value. At year end, the fair value of the District's deposits and investments approximated original cost, therefore no fair value adjustments were necessary.

***Determining Fair Value***

Fair value of the District's deposits and investments are determined as follows:

- 1) Deposits and investments with stated interest rates (savings account and certificates of deposits) are stated at cost, and
- 2) State of Wisconsin Local Government Investment Pool fair value is determined by the Pool's investment board based on published market quotations.
- 3) Government securities fair value is based upon quoted market prices.



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

***Investment Pool Information***

Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At year end, the Pool's fair value was 100 percent of book value.

***Income Allocation***

Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment. Interest income from special education, food services and community service funds is reported in the general fund.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Sites	\$ 190,331	\$ -	\$ -	\$ 190,331
Capital assets being depreciated				
Site improvements	215,933	-	-	215,933
Buildings and improvements	13,504,030	-	-	13,504,030
Furniture and equipment	2,335,502	104,552	(78,874)	2,361,180
Total Capital Assets Being Depreciated	16,055,465	104,552	(78,874)	16,081,143
Less: Accumulated depreciation for				
Site improvements	(107,172)	(9,633)	-	(116,805)
Buildings and improvements	(4,316,927)	(275,110)	-	(4,592,037)
Furniture and equipment	(1,700,435)	(158,844)	76,481	(1,782,798)
Total Accumulated Depreciation	(6,124,534)	(443,587)	76,481	(6,491,640)
Net Capital Assets	\$10,121,262	\$ (339,035)	\$ (2,393)	\$ 9,779,834

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 3 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Instruction	15,657
Regular	3,960
Special education	3,355
Vocational	2,668
Other	
Support services	
Pupil services	747
Instructional support services	1,367
Administration	20,445
Buildings and grounds	16,216
Pupil transportation	54,103
Other support services	38,490
Food service	1,838
Unallocated	<u>284,741</u>
 Total Depreciation Expense	 <u><u>\$ 443,587</u></u>

The fund and function detail of capital asset additions is as follows:

	General Fund	Food Service Fund
Instruction		
Regular	\$ 6,877	\$ -
Vocational	3,225	-
Buildings and grounds	31,326	-
Pupil transportation	15,000	-
Other support services	<u>47,559</u>	<u>565</u>
 Totals	 <u><u>\$ 103,987</u></u>	 <u><u>\$ 565</u></u>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 4 – LONG-TERM OBLIGATIONS**

Long-term liability activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds, Notes and Loans Payable					
General obligation debt	\$5,200,000	\$ -	\$ 425,000	\$ 4,775,000	\$ 445,000
Postemployment benefits	16,768	251,426	248,422	19,772	19,772
	<u>\$5,216,768</u>	<u>\$ 251,426</u>	<u>\$ 673,422</u>	<u>\$ 4,794,772</u>	<u>\$ 464,772</u>

**General Obligation Debt**

All general obligation bonds, notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

Type	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	End of Year Balance
General Obligation Debt:					
Refunding Bonds	10/7/2002	4/1/2020	3.0-4.3%	\$ 5,550,000	<u>\$4,775,000</u>
Total Governmental Activities Long-Term Obligations					<u>\$4,775,000</u>

Debt service requirements to maturity on general obligation debt are as follows:

Year	Principal	Interest	Total
2012	\$ 445,000	\$ 189,524	\$ 634,524
2013	465,000	172,838	637,838
2014	480,000	156,098	636,098
2015	505,000	138,338	643,338
2016-2020	2,880,000	372,248	3,252,248
Totals	<u>\$4,775,000</u>	<u>\$ 1,029,046</u>	<u>\$5,804,046</u>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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**NOTE 4 – LONG-TERM OBLIGATIONS (continued)**

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Estimated payments of accumulated employee benefits and other commitments are not included in the schedule on previous page.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed ten percent of the equalized value of taxable property within the District's jurisdiction. The debt limit at year-end was \$40,456,537. Total general obligation debt outstanding at year-end was \$4,775,000.

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**NOTE 5 - LEASE DISCLOSURES**

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**LESSEE - CAPITAL LEASES**

The District has no material outstanding sales-type or direct financing leases.

**LESSEE - OPERATING LEASES**

The District leases duplicating equipment over five years. The following is a schedule, by year of the future minimum lease payments:

<u>Year Ending June 30</u>	
2012	\$ 12,161
2013	12,161
2014	11,148
Total	<u>\$ 35,470</u>

Lease expense was \$12,161 for the year.

**LESSOR - CAPITAL LEASES**

The District has no material outstanding sales-type or direct financing leases.

**LESSOR - OPERATING LEASES**

The District does not receive material lease payments from property rented to others.

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**NOTE 6 – EMPLOYEES' RETIREMENT SYSTEM**

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All eligible District employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year (440 hours for teachers and 440 hours for Educational Support Staff effective July 1, 2009) are eligible to participate in the System. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 6 – EMPLOYEES' RETIREMENT SYSTEM (continued)**

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The payroll for District employees covered by the System for the year ended June 30, 2011 was \$4,032,074, the employer's total payroll was \$4,379,489. The total required contribution for the year ended June 30, 2011 was \$458,423. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ended June 30, 2010 and 2009 were \$436,756 and \$415,741, respectively, equal to the required contributions for each year.

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

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

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**NOTE 7 – GOVERNMENTAL ACTIVITIES NET ASSETS**

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Governmental activities net assets reported on the Government Wide Statement of Net Assets at year-end include the following:

***Governmental Activities***

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 9,779,834
Less: related long-term debt outstanding	(4,775,000)
Total Invested in Capital Assets	<u>5,004,834</u>
Restricted	
Debt service	98,262
Special revenue trust	1,497,765
Food service program	25,944
Community service program	8,878
Total Restricted	<u>1,630,849</u>
Unrestricted	<u>2,262,704</u>
Total Governmental Activities Net Assets	<u>\$ 8,898,387</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 8 – GOVERNMENTAL FUND BALANCES**

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Governmental fund balances reported on the fund financial statements at year-end include the following:

Nonspendable	
Major Funds	
General Fund-prepaid expenses	\$ 44,316
Special Revenue Trust fund-principal of fund	<u>1,416,293</u>
Total Nonspendable Fund Balances	<u>1,460,609</u>
Restricted	
Major Funds	
Debt Service fund	98,262
Special Revenue Trust fund	81,472
Nonmajor Funds	
Food Service fund	<u>25,944</u>
Total Restricted Fund Balances	<u>205,678</u>
Committed	
Community Service fund	<u>8,878</u>
Assigned	
Major Fund	
General Fund-for working capital purposes	<u>2,279,369</u>
Total Governmental Fund Balances	<u>\$ 3,954,534</u>

An operating transfer of \$521,832 was made from the general fund to the special education fund to cover an operating deficit in that fund. An operating transfer of \$50,000 was made from the special revenue trust fund to the general fund for operating expenses.

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**NOTE 9 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

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Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	<u>\$ 9,779,834</u>
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net assets.

Bonds, notes and loan payable	\$ 4,775,000
Postemployment benefits	19,772
Accrued interest	<u>41,209</u>
Combined Adjustment	<u>\$ 4,835,981</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 10 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

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Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Accrued interest	
Beginning	\$ 44,877
Ending	<u>(41,209)</u>
Decrease	<u>\$ 3,668</u>

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**NOTE 11 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

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The following funds had an excess of actual expenditures over budget for the year:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Special education instruction	\$ 81,853
Pupil transportation	6,042
Other support services	1,024
Operating transfers out	46,360

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**NOTE 12 – RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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#### NOTE 13 – COMMITMENTS AND CONTINGENCIES

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From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's 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.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

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#### NOTE 14 – LIMITATION OF SCHOOL DISTRICT REVENUES

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Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature.

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

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

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

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#### NOTE 15 - POST EMPLOYMENT BENEFITS

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From an accrual accounting perspective, the cost of postemployment health benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 prospectively during the year ended June 30, 2010, the District recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

In addition to pension benefits described in Note 6, the District provides post-employment benefit options for health care to eligible retirees. The benefits are provided in accordance with District administrative contracts and collective bargaining agreements. The criteria to determine eligibility include: years of service, employee age and category of employment. Eligible retiring employees must be full time, age 55 and have fifteen years (teachers) or twenty-five years (administrators) of consecutive employment with the District, based on the employee's position. The benefit is 100% paid by the District. If a participant dies while receiving benefits, the remaining benefits are payable to the participant's spouse.



SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 15 - POST EMPLOYMENT BENEFITS (continued)**

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For teachers retiring after June 30, 2006, the monthly benefit payable towards medical and dental insurance coverage is equal to years of service at age 55 times \$150 divided by 12. For teacher retirements prior to June 30, 2006, the monthly benefit payable towards medical and dental insurance coverage is equal to years of service at age 57 times \$250 divided by 12, plus \$10,000. The benefit is payable until the participant qualifies for Medicare benefits.

For administrators who meet the eligible criteria previously described, medical, dental and life insurance coverage are 100% paid until the participant reaches eligibility for Medicare benefits. The administrators plan was terminated on July 11, 2011.

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the District's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method and assumptions used were as follows:

**Funding Policy:** The plan will be funded by making contributions into an irrevocable employee benefit trust in an amount at least equal to the Annual Required Contribution (ARC).

**Accounting Policies:** The Unfunded Actuarial Accrued Liability is amortized over a period of 30 years using the level dollar method.

The attribution period is the period of an employee's service to which the expected post-retirement benefit obligation for that employee is assigned. The beginning of the attribution period is date of hire; the end of the attribution period is the date at which the employee reaches full eligibility for benefits.

**Actuarial Cost Method:** Projected Unit Credit.

**Measurement Date:** June 1, 2011

**Economic Assumptions**

**Investment Return (Discount Rate):** 4% per annum.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 15 - POST EMPLOYMENT BENEFITS (continued)**

**Economic Assumptions (continued)**

**Expenses:** None (Investment Return assumption is net of expenses)

**Healthcare Cost Trend Rate:**

- 2011 - 6.8%
- 2012 - 6.8%
- 2013 - 7.1%
- 2014 - 6.7%
- 2015 - 7%
- 2016 - 7.1%
- 2017 - 6.2%
- 2018 - 6.1%
- 2019 - 6.1%
- Future - 6.1%

**Salary Increases:**

- 3% per annum

**Annual Per-capita Claims Costs:** Health care cost trend rates based on National Health Care Expenditure Projections published January 2009 by the Office of the Actuary at the Centers for Medicare and Medicaid Services.

**Demographic Assumptions**

		Age 45	Age 50	Age 55	Age 60	Age 65
Mortality Rates:	Male	0.0805%	0.1316%	0.2317%	0.3375%	0.5178%
	Female	0.0445%	0.0614%	0.128%	0.2173%	0.3325%

Retirement Rates: select and ultimate rates used by WRS based on WRS experience to value pensions for Public School employees.

Withdrawal Rates: normal retirement rates were used for retirees having 30 or more years of service, otherwise, early retirement rates were used. Selected rates follow:

	Male	Female
0 to 1 years of service	14.0	11.0
1 to 2 years of service	11.0	9.0
2 to 3 years of service	7.0	7.0
3 to 4 years of service	5.2	6.0
4 to 5 years of service	4.0	5.0
5 to 6 years of service	3.2	4.3
6 to 7 years of service	2.7	3.8
7 to 8 years of service	2.5	3.2

		Age 35	Age 40	Age 45	Age 50	Age 55
Disability Rates:	Male	0.01%	0.02%	0.05%	0.14%	0.26%
	Female	0.01%	0.02%	0.08%	0.16%	0.23%

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**NOTE 15 - POST EMPLOYMENT BENEFITS (continued)**

The number of plan participants as of the measurement date was 63. The actuarial accrued liability was \$3,029,028, the actual contribution was \$248,422 and the annual required contribution is \$251,426. The assets available are \$1,003,722, the balance in the District's Employee Benefit Trust Fund.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year, were as follows:

Normal cost	\$ 126,497
30 year amortization of unfunded accrued liability	<u>124,929</u>
Annual required contribution	251,426
Contributions made	<u>(248,422)</u>
Increase in OPEB liability	3,004
Net OPEB liability - beginning of year	<u>16,768</u>
Net OPEB liability - end of year	<u><u>\$ 19,772</u></u>

**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:

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2011	\$ 251,426	\$ 251,426	\$ 248,422	98.8%	\$ 19,772
6/30/2010	283,999	283,999	267,231	94.1%	16,768

**Funded Status and Funding Progress**

The funded status and progress of the plan as of the most recent actuarial valuation date is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ([b-a]/c)
6/30/2011	\$ 1.0	\$ 3.0	\$ 2.0	33.3%	\$ 3.3	60.6%
6/30/2010	0.9	2.8	1.9	31.1%	3.3	57.5%

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**NOTE 16 - DUE FROM/DUE TO OTHER FUNDS - FUND FINANCIAL STATEMENTS**

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Individual fund interfund receivable and payable balances at year end are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 102,561
Special Education Fund	61,459	-
Food Service Fund	38,508	-
Agency Fund	<u>2,594</u>	<u>-</u>
Totals	<u>\$ 102,561</u>	<u>\$ 102,561</u>

The balances are a result of the activity for the year.

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**NOTE 17 - SUBSEQUENT EVENTS**

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Management has evaluated subsequent events through November 9, 2011, the date the financial statements were available to be issued.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**COMBINING BALANCE SHEET  
GENERAL FUND  
June 30, 2011**

	General Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$1,543,263	\$ -	\$ 1,543,263
Taxes receivable	1,346,435	-	1,346,435
Prepaid expenses	44,316	-	44,316
Due from other funds	-	61,459	61,459
Due from other governments	96,136	-	96,136
<b>TOTAL ASSETS</b>	<b><u>\$3,030,150</u></b>	<b><u>\$ 61,459</u></b>	<b><u>\$ 3,091,609</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 43,184	\$ 369	\$ 43,553
Accrued payroll, payroll taxes, withholdings	560,720	61,090	621,810
Due other funds	102,561	-	102,561
<b>Total Liabilities</b>	<b><u>706,465</u></b>	<b><u>61,459</u></b>	<b><u>767,924</u></b>
<b>Fund Balances</b>			
Nonspendable	44,316	-	44,316
Restricted	-	-	-
Assigned	2,279,369	-	2,279,369
<b>Total Fund Balances</b>	<b><u>2,323,685</u></b>	<b><u>-</u></b>	<b><u>2,323,685</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$3,030,150</u></b>	<b><u>\$ 61,459</u></b>	<b><u>\$ 3,091,609</u></b>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SACNDINAVIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GENERAL FUND**

**For the Year Ended June 30, 2011**

	General Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Local sources	\$ 3,559,236	\$ -	\$ 3,559,236
Interdistrict sources	249,743	6,665	256,408
Intermediate sources	55,160	160,916	216,076
State sources	4,226,892	107,666	4,334,558
Federal sources	129,787	110	129,897
Other sources	1,898	-	1,898
Total Revenues	<u>8,222,716</u>	<u>275,357</u>	<u>8,498,073</u>
<b>EXPENDITURES</b>			
Instruction			
Regular	3,824,827	-	3,824,827
Special education	-	656,063	656,063
Vocational	236,995	-	236,995
Other instruction	427,182	-	427,182
Total instruction	<u>4,489,004</u>	<u>656,063</u>	<u>5,145,067</u>
Support Services			
Pupil services	281,822	61,481	343,303
Instruction support services	206,213	19,147	225,360
Administration	1,093,824	-	1,093,824
Buildings and grounds	1,059,405	-	1,059,405
Pupil transportation	276,484	44,707	321,191
Other support services	275,496	15,791	291,287
Debt service			
Interest and fees	363	-	363
Total support services	<u>3,193,607</u>	<u>141,126</u>	<u>3,334,733</u>
Total Expenditures	<u>7,682,611</u>	<u>797,189</u>	<u>8,479,800</u>
Excess (deficiency) of revenues over expenditures	540,105	(521,832)	18,273
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	50,000	521,832	571,832
Operating transfers out	<u>(521,832)</u>	<u>-</u>	<u>(521,832)</u>
NET CHANGE IN FUND BALANCE	68,273	-	68,273
FUND BALANCES-BEGINNING OF YEAR	<u>2,255,412</u>	<u>-</u>	<u>2,255,412</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 2,323,685</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,323,685</u></u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA SCANDINAVIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011**

	Food Service	Community Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 8,878	\$ 8,878
Due from other funds	38,508	-	38,508
Due from other governments	2,482	-	2,482
<b>TOTAL ASSETS</b>	<b>\$ 40,990</b>	<b>\$ 8,878</b>	<b>\$ 49,868</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 141	\$ -	\$ 141
Accrued salaries and wages	14,905	-	14,905
<b>Total Liabilities</b>	<b>15,046</b>	<b>-</b>	<b>15,046</b>
<b>Fund Balances</b>			
Restricted	25,944	-	25,944
Committed	-	8,878	8,878
<b>Total Fund Balances</b>	<b>25,944</b>	<b>8,878</b>	<b>34,822</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 40,990</b>	<b>\$ 8,878</b>	<b>\$ 49,868</b>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year ended June 30, 2011**

	Food Service	Community Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local	\$ 187,837	\$ 17,402	\$ 205,239
State	5,281	-	5,281
Federal	145,888	-	145,888
Total Revenues	<u>339,006</u>	<u>17,402</u>	<u>356,408</u>
<b>EXPENDITURES</b>			
Support Services			
Pupil transportation	-	1,768	1,768
Food service	320,478	-	320,478
Total support services	<u>320,478</u>	<u>1,768</u>	<u>322,246</u>
Community services	-	15,905	15,905
Total Expenditures	<u>320,478</u>	<u>17,673</u>	<u>338,151</u>
Excess (deficiency) of revenues over expenditures	18,528	(271)	18,257
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in (out)	-	-	-
Net Change in Fund Balance	18,528	(271)	18,257
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>7,416</u>	<u>9,149</u>	<u>16,565</u>
FUND BALANCES-END OF YEAR	<u>\$ 25,944</u>	<u>\$ 8,878</u>	<u>\$ 34,822</u>



SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -  
STUDENT ORGANIZATIONS' FUNDS  
For the Year Ended June 30, 2011

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	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Assets - Cash and investments	\$ 97,964	\$ 233,682	\$ 244,760	\$ 86,886
Due from other funds	<u>-</u>	<u>2,594</u>	<u>-</u>	<u>2,594</u>
Total Assets	<u>\$ 97,964</u>	<u>\$ 236,276</u>	<u>\$ 244,760</u>	<u>\$ 89,480</u>
Liabilities - Due to student organizations	<u>\$ 97,964</u>	<u>\$ 236,276</u>	<u>\$ 244,760</u>	<u>\$ 89,480</u>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011**

Federal Agency/ Pass-Through Agency/ Program Title	CFDA Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received	Accrued (Deferred) Ending Balance		
<b>U.S. DEPARTMENT OF EDUCATION</b>						
State of Wisconsin-Department of Public Instruction						
Title I	84.010	\$ (22,964)	\$ 81,840	\$ 14,168	\$ 73,044	\$ 73,044
Title II-A	84.367	-	26,781	-	26,781	26,781
Title IV-A	84.186	(814)	814	-	-	-
IDEA ARRA	84.391	(14,709)	14,815	-	106	106
IDEA Preschool ARRA	84.392	-	4	-	4	4
State of Wisconsin-Department of Administration						
Education Jobs Fund ARRA	84.410	-	17,947	11,765	29,712	29,712
CESA 5						
IDEA	84.027	(38,699)	152,052	-	113,353	113,353
Title IV-A	84.186	-	399	-	399	399
Carl Perkins	84.048	-	50	-	50	50
<b>U.S. DEPT OF HEALTH &amp; HUMAN SERVICES</b>						
State of Wisconsin-Department of Public Instruction						
Movin & Munchin program	93.938	-	250	-	250	250
State of Wisconsin-Department of Health Services						
Medical Assistance	93.778	-	54,710	-	54,710	54,710
CESA 5						
Medical Assistance	93.778	-	20,490	-	20,490	20,490
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
State of Wisconsin-Department of Public Instruction						
Food Distribution - Commodities	10.555	-	23,542	-	23,542	23,542
National Breakfast Program	10.553	-	106,821	2,076	108,897	108,897
National School Lunch Program	10.555	-	13,042	406	13,448	13,448
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ (77,186)</b>	<b>\$ 513,557</b>	<b>\$ 28,415</b>	<b>\$ 464,786</b>	<b>\$ 464,786</b>

See notes to the schedules of expenditures of federal and state awards.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2011**

State Agency/ Pass-Through Agency/ Program Title	State ID Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received (Returned)	Accrued (Deferred) Ending Balance		
<b>DEPARTMENT OF PUBLIC INSTRUCTION</b>						
Entitlement Programs						
Handicapped Pupils and School Age Parents	255.101	\$ -	\$ 107,666	\$ -	\$ 107,666	\$ 107,666
Participant in Package Programs: CESA # 5		-	24,781	-	24,781	24,781
Total Handicapped Program		-	132,447	-	132,447	132,447
School Lunch Aid Program	255.102	-	4,070	-	4,070	4,070
Common School Fund Library Aid	255.103	-	34,604	-	34,604	34,604
General Equalization	255.201	(69,217)	4,112,028	69,372	4,112,183	4,112,183
Pupil Transportation	255.107	-	28,138	-	28,138	28,138
School Breakfast Aid Program	255.344	-	1,212	-	1,212	1,212
Mentoring Initial Educators	255.355	-	375	-	375	375
Payment In Lieu of Taxes		-	50,761	-	50,761	50,761
Computer Aid		(5,739)	5,739	832	832	832
Total Wisconsin Department of Public Instruction		(74,956)	4,369,374	70,204	4,364,622	4,364,622
<b>TOTAL STATE AWARDS</b>		<u>\$ (74,956)</u>	<u>\$ 4,369,374</u>	<u>\$ 70,204</u>	<u>\$ 4,364,622</u>	<u>\$ 4,364,622</u>

See notes to the schedules of expenditures of federal and state awards.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS**

**June 30, 2011**

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**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

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**NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

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2010-2011 eligible costs under the State Special Education Program are \$510,981.

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**NOTE 3 - FOOD DISTRIBUTION**

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



## ACCOUNTING WORKSHOP, SC

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Ann Kropp, CPA, CMA  
Jeffrey Kropp, CPA

Independent Auditor's Report On Internal Control Over Financial Reporting  
on Compliance and Other Matters Based on an Audit of Financial Statements  
in Accordance With *Government Auditing Standards*

Board of Education  
School District of Iola-Scandinavia  
Iola, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-1 and 11-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies previously referenced, we consider item 11-1 to be a material weakness.

#### Compliance and Other Matters

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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board and management of the District and the Wisconsin Department of Public Instruction and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting Workshop SC*

Accounting Workshop, SC  
November 9, 2011



## ACCOUNTING WORKSHOP, SC

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Jeffrey Kropp, CPA

### Independent Auditor's Report On Compliance With Requirements Applicable to State Programs and Internal Control Over Compliance

Board of Education  
School District of Iola-Scandinavia  
Iola, Wisconsin

#### Compliance

We have audited the compliance of the School District of Iola-Scandinavia ("District") with the types of compliance requirements prescribed by the Wisconsin Department of Public Instruction, that are applicable to its state special education aid program for the year ended June 30, 2011. Compliance with the requirements of laws, regulations and contracts applicable to this state program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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; and compliance requirements as prescribed by the Wisconsin Department of Public Instruction. Those standards and compliance requirements 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 the state special education aid program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Compliance requirements applicable to the state special education aid program were identified as follows:

#### **Cost Teacher and Teacher Aid Certification**

In our opinion, the District complied, in all material respects, with the requirement referred to above that are applicable to its state special education aid program for the year ended June 30, 2011.

#### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the state special education aid program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on the state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 11-1 and 11-2 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the school board, management, federal awarding agencies and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by other than these interested parties.

*Accounting Workshop SC*

Accounting Workshop, SC  
November 9, 2011



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2011**

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**Section I - Summary of Audit Results**

*Financial Statements*

Type of auditor's report issued	Unqualified	
Internal control over financing reporting:		
Material weakness identified?	<u>  x  </u> yes	<u>        </u> no
Significant deficiency(ies) identified considered to be material weaknesses?	<u>  x  </u> yes	<u>        </u> no
Noncompliance material to the financial statements?	<u>        </u> yes	<u>  x  </u> no

*State Awards*

Internal control over financial reporting:		
Material weakness identified?	<u>  x  </u> yes	<u>        </u> no
Significant deficiency(ies) identified considered to be material weaknesses?	<u>  x  </u> yes	<u>        </u> no
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines?	<u>  x  </u> yes	<u>        </u> no

Identification of major state programs

<u>State Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.107	Transportation Aid
255.201	General Equalization Aid

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2011**

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**Section II - Financial Statement Findings**

11-1 Segregation of Accounting Duties

Condition: The District's business manager performs many accounting functions in the receipt and billing, accounts payable disbursement and payroll processing transaction cycles and maintains the general ledger.

Criteria: Incompatible accounting duties should be assigned to separate individuals.

Cause: Due to a lack of office staff, internal control in regards to segregation of accounting duties are not adequately designed.

Effect: Intentional or unintentional errors could occur and not be detected.

Recommendation: Monthly financial activity such as journal entries, detail of significant asset and liability balances, bank statements and canceled check images should be reviewed by another member of management for reasonableness.

Response: The District agrees with the finding and is developing additional procedures to minimize its exposure.

11-2 Preparation of Financial Statements

Condition: The audit organization prepared the financial statements and notes to financial statements.

Criteria: Professional standards prohibit the audit organization from preparation of financial statements and notes without implementing safeguards.

Cause: Management and the accounting staff have adequate knowledge of governmental accounting and interim reporting, however, they lack the knowledge to prepare GAAP financial statements and note disclosures.

Effect: Undetected errors or irregularities could occur.

Recommendation: We recommend management continue using external sources for preparation of the financial statements and note disclosures as qualified district personnel are unavailable.

Response: The District intends to continue using external sources for financial statement and note disclosure preparation.

**Section III - State Award Findings and Questioned Costs**

See item 11-1 under financial statement findings.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2011**

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DEPARTMENT OF EDUCATION

Finding 10-1: Segregation of Accounting Duties

Condition: The District's business manager performs many accounting functions in the receipt and billing, accounts payable disbursement and payroll processing transaction cycles and maintains the general ledger.

Recommendation: Monthly financial activity such as journal entries, detail of significant asset and liability balances, bank statements and monthly activity should be reviewed by another member of management for reasonableness.

Current Status: The Superintendent continues to review selected financial information on a monthly basis.