

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

IOLA, WISCONSIN

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

AS OF JUNE 30, 2018

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Wisconsin Public School District Audit Manual issued by the State of Wisconsin Department of Public Instruction, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Workshop SC

Accounting Workshop, SC
November 21, 2018

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF NET POSITON
June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 4,746,503
Taxes receivable	1,196,053
Accounts receivable	1,869
Interest receivable	4,200
Due from other funds	24,445
Due from other governments	190,503
Prepaid expenses	36,288
Total Current Assets	6,199,861
 NONCURRENT ASSETS	
Capital assets	17,119,122
Less: accumulated depreciation	8,106,894
Net Capital Assets	9,012,228
Pension asset	793,827
Total Noncurrent Assets	9,806,055
Total Assets	16,005,916
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows-pension	2,172,276
 LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	905,835
Current portion of long-term obligations	580,932
Total Current Liabilities	1,486,767
 NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	2,578,197
Total Liabilities	4,064,964
 DEFERRED INFLOWS OF RESOURCES	
Deferred outflows-pension	2,412,447
Deferred outflows-advance income	862
Total Deferred Inflows	2,413,309
 NET POSITION	
Net investment in capital assets	5,853,099
Restricted	1,974,189
Unrestricted	3,872,631
Total Net Position	\$ 11,699,919

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes In Net Position
		Charges for Services	Operating Grants & Contributions	
Instruction				
Regular	\$ 3,483,900	\$ 357,815	\$ 94,316	\$ (3,031,769)
Vocational	256,660	724	5,701	(250,235)
Special education	492,315	-	427,612	(64,703)
Other	395,122	28,700	-	(366,422)
Total Instruction	<u>4,627,997</u>	<u>387,239</u>	<u>527,629</u>	<u>(3,713,129)</u>
Support Services				
Pupil services	344,324	-	-	(344,324)
Instructional support services	263,725	-	72,605	(191,120)
Administration	839,795	-	-	(839,795)
Buildings and grounds	949,946	1,152	-	(948,794)
Pupil transportation	329,488	-	29,546	(299,942)
Other support services	395,764	-	-	(395,764)
Interest and fees	80,335	-	-	(80,335)
Food service	287,794	166,592	146,652	25,450
Community service	248,712	190,241	-	(58,471)
Depreciation-unallocated*	365,026	-	-	(365,026)
Total Support Services	<u>4,104,909</u>	<u>357,985</u>	<u>248,803</u>	<u>(3,498,121)</u>
Total Activities	<u>\$ 8,732,906</u>	<u>\$ 745,224</u>	<u>\$ 776,432</u>	<u>(7,211,250)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				3,409,649
Debt service				665,000
Community service				52,000
Other				46,899
State and federal aids not restricted to specific functions:				
General				4,140,647
Investment Income				54,706
Miscellaneous				25,515
Book value of fixed asset disposals				-
Total General Revenues				<u>8,394,416</u>
Change in Net Position				1,183,166
NET POSITION-BEGINNING OF YEAR				<u>10,516,753</u>
NET POSITION-END OF YEAR				<u>\$ 11,699,919</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, 2018**

	General Fund	Special Revenue Trust Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,891,668	\$ 1,164,624	\$ 1,039,606	\$ 650,605	\$ 4,746,503
Taxes receivable	1,196,053	-	-	-	1,196,053
Accounts receivable	-	-	-	1,869	1,869
Interest receivable	-	4,200	-	-	4,200
Due from other funds	327,099	58,214	-	96,014	481,327
Due from other governments	190,503	-	-	-	190,503
Prepaid expenses	36,288	-	-	-	36,288
TOTAL ASSETS	\$ 3,641,611	\$ 1,227,038	\$ 1,039,606	\$ 748,488	\$ 6,656,743
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 36,612	\$ -	\$ -	\$ 2,187	\$ 38,799
Accrued salaries and withholdings	833,554	-	-	15,470	849,024
Due to other funds	86,757	10,000	3,000	357,125	456,882
Total Liabilities	956,923	10,000	3,000	374,782	1,344,705
Deferred Inflow s of Resources					
Advance revenue	862	-	-	-	862
Fund Balances					
Nonspendable	36,288	-	-	-	36,288
Restricted	-	23,003	1,036,606	360,924	1,420,533
Committed	-	1,194,035	-	-	1,194,035
Assigned	2,647,538	-	-	12,782	2,660,320
Total Fund Balances	2,683,826	1,217,038	1,036,606	373,706	5,311,176
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,641,611	\$ 1,227,038	\$ 1,039,606	\$ 748,488	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,012,228
Pension asset is not a current resource and, therefore, is not reported in the fund financial statements.	793,827
Some deferred outflow s and inflow s of financial resources are not reported in the fund financial statements:	
Deferred outflow s of resources-pension amounts	2,172,276
Deferred inflow s of resources-pension amounts	(2,412,447)
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 position that are not reported in the funds balance sheet are:	
General obligation debt	(3,140,000)
Capital leases payable	(19,129)
Accrued interest on long-term debt	(18,012)
NET POSITION	\$ 11,699,919

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	General Fund	Special Revenue Trust Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local	\$ 3,479,745	\$ 27,955	\$ 17,503	\$ 1,075,016	\$ 4,600,219
Interdistrict	386,292	-	-	-	386,292
Intermediate	32,561	-	-	-	32,561
State	4,384,244	-	-	4,497	4,388,741
Federal	365,892	-	-	142,155	508,047
Other	212	-	-	-	212
Total Revenues	<u>8,648,946</u>	<u>27,955</u>	<u>17,503</u>	<u>1,221,668</u>	<u>9,916,072</u>
EXPENDITURES					
Instruction					
Regular	3,910,503	-	-	-	3,910,503
Special education	546,691	-	-	-	546,691
Vocational	259,989	-	-	-	259,989
Other	440,901	-	-	-	440,901
Total instruction	<u>5,158,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,158,084</u>
Support Services					
Pupil services	370,667	-	-	-	370,667
Instructional support services	283,351	-	-	-	283,351
Administration	947,150	-	-	-	947,150
Buildings and grounds	929,448	14,881	26,204	-	970,533
Pupil transportation	314,552	-	90	-	314,642
Other support services	404,986	-	8,715	-	413,701
Debt service					
Principal	-	-	25,981	557,707	583,688
Interest and fees	475	-	-	82,043	82,518
Capital outlay	284,120	5,025	793,541	4,892	1,087,578
Food service	-	-	-	298,992	298,992
Total support services	<u>3,534,749</u>	<u>19,906</u>	<u>854,531</u>	<u>943,634</u>	<u>5,352,820</u>
Community services	-	-	-	263,645	263,645
Total Expenditures	<u>8,692,833</u>	<u>19,906</u>	<u>854,531</u>	<u>1,207,279</u>	<u>10,774,549</u>
Excess deficiency of revenues over expenditures	(43,887)	8,049	(837,028)	14,389	(858,477)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	38,972	-	38,972
Interfund transfers to other funds	-	(30,000)	-	30,000	-
Net Change in Fund Balances	(43,887)	(21,951)	(798,056)	44,389	(819,505)
FUND BALANCES-BEGINNING OF YEAR	<u>2,727,713</u>	<u>1,238,989</u>	<u>1,834,662</u>	<u>329,317</u>	<u>6,130,681</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,683,826</u>	<u>\$ 1,217,038</u>	<u>\$ 1,036,606</u>	<u>\$ 373,706</u>	<u>\$ 5,311,176</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, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (819,505)

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

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.

Capital outlay reported in governmental fund statements	1,087,578	
Depreciation expense reported in the statement of activities	(448,091)	
Net book value of assets disposed	-	639,487

Change in net pension asset activity is only reported in the statement of activities 816,285

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. 544,716

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. 2,183

CHANGE IN NET POSITION \$ 1,183,166

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	Private Purpose Trust	Employee Benefit Trust	Agency
ASSETS			
Cash and investments	\$ 81,075	\$ 162,063	\$ 202,603
Interest receivable	293	-	-
Accounts receivable	-	-	996
Due from other funds	-	-	1,813
Total Assets	\$ 81,368	\$ 162,063	\$ 205,412
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	24,289	1,969
Due to student groups	-	-	203,443
Total Liabilities	-	24,289	\$ 205,412
NET POSITION	\$ 81,368	\$ 137,774	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Private Purpose Trust	Employee Benefit Trust
ADDITIONS		
Contributions	\$ 2,681	\$ 1,605
Investment earnings	470	263
Total additions	<u>3,151</u>	<u>1,868</u>
DEDUCTIONS		
Benefits	<u>6,125</u>	<u>66,806</u>
Excess of revenues over (under) expenditures	(2,974)	(64,938)
OTHER FINANCING SOURCES		
Transfer from general fund	<u>-</u>	<u>-</u>
Change in Net Position	(2,974)	(64,938)
NET POSITION-BEGINNING OF YEAR	<u>84,342</u>	<u>202,712</u>
NET POSITION-END OF YEAR	<u>\$ 81,368</u>	<u>\$ 137,774</u>

See accompanying notes to the financial statements.

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June 30, 2018

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SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 4 year old kindergarten through grade12 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. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government or district-wide financial statements consist of the statement of net position and statement of activities. 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 emphasis is on major funds versus non-major funds.

C. BASIS OF PRESENTATION

District-wide Financial Statements

The statement of net position 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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

District-wide Financial Statements (continued)

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.

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

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.

Employee Benefit Trust Fund

Employee benefit trust fund is used to account for resources and payments of the District's post employment employee benefits held in a legally separate trust.

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.

Major Funds

The District reports the following major governmental funds:

- General Fund
- Special Revenue Trust Fund
- Capital Project Fund

Non-major Funds

The District reports the following non-major funds:

- Special Revenue Funds –
 - Food Service Fund
 - Community Service Fund
- Long-Term Capital Improvement Trust Fund
- Debt Service Fund

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

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

Fiduciary Funds

The District reports the following fiduciary funds:

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

D. BASIS OF ACCOUNTING

The district-wide Statement of Net Position 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.

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 – 2017 tax roll:

Lien date and levy date	October, 2017
Tax bills mailed	December, 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale 2017 delinquent real estate taxes	October, 2021

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

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.

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 resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred resources 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 resources is removed from the combined balance sheet and revenue is recognized.

In addition to assets, the statement of net position will sometimes report a separate action for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item in this category that relates to the District’s proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items in this category. The first relates to the District’s proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The other item sometimes reported here when applicable, is revenue received in advance of being earned which will be reported as revenue when earned.

E. MEASUREMENT FOCUS

On the district-wide Statement of Net Position 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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data:

- a) Based upon requests from District staff, district administration recommends budget proposals to the Board of Education.
- b) The Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c) Pursuant to a public budget hearing, the Board may make alterations to the proposed budget.
- d) Once the Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire board
- e) Appropriations lapse at year-end unless authorized as a carryover by the Board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

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 \$648,478 for personal days and unused sick leave.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Teachers who retired prior to July 1, 2012, were at least 55 years of age and had 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.

Non-administrative certified professional staff retiring between June 30, 2014 through June 30, 2016, who are at least 55 years of age and have at least 15 years of consecutive service with the district are eligible for an HRA contribution. The amount is determined by multiplying \$200 per year of service up to a maximum of 30 years. The resulting amount is contributed annually for a set number of years based on retirement date.

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.

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 position and displayed in three components:

- a. Net investment in capital assets – 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 net investment in capital assets.
- b. Restricted net position – Consists of net position 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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS (continued)

District-Wide Statements (continued)

c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Statements

Governmental fund equity is classified as fund balance.

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 and community service resources are required by board policy and law to be used within those programs.
- **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.
- **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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

S. PENSION

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits	\$ 2,275,821
Investments	<u>2,916,423</u>
Total Deposits and Investments	<u>\$ 5,192,244</u>
Per statement of net position - deposits and investments	\$ 4,746,503
Per statement of net position - fiduciary funds	<u>445,741</u>
Total	<u>\$ 5,192,244</u>

Deposits

At year end, the carrying amount of the District's deposits was \$2,275,821 and the bank balance was \$2,670,693. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

All of the bank balance was covered by federal depository insurance and collateral.

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

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.

The business manager and school board monthly review bank deposits versus FDIC coverage and annually review depository ratings.

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, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits (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	\$ 1,149,938	\$ 1,149,938	\$ -	\$ -	\$ -
WI Investment Series Coop Pool	1,667,485	1,667,485	-	-	-
U.S. Government Securities	100,000	-	50,000	-	50,000
Totals	<u>\$ 2,917,423</u>	<u>\$ 2,817,423</u>	<u>\$ 50,000</u>	<u>\$ -</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	\$ 1,148,938	Not Rated
WI Investment Series Coop Pool	1,667,485	Not Rated
U.S. Government Securities	100,000	Not Rated
Totals	<u>\$ 2,916,423</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.

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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	Adjustments & Deletions	Ending Balance
Capital assets not being depreciated				
Sites	\$ 199,081	\$ -	\$ -	\$ 199,081
Capital assets being depreciated				
Site improvements	270,660	-	-	270,660
Buildings and improvements	13,960,760	669,073	-	14,629,833
Furniture and equipment	1,698,136	418,505	(97,093)	2,019,548
Total Capital Assets Being Depreciated	15,929,556	1,087,578	(97,093)	16,920,041
Less: Accumulated depreciation for				
Site improvements	(176,347)	(9,125)	-	(185,472)
Buildings and improvements	(6,272,593)	(311,986)	-	(6,584,579)
Furniture and equipment	(1,306,956)	(126,980)	97,093	(1,336,843)
Total Accumulated Depreciation	(7,755,896)	(448,091)	97,093	(8,106,894)
Net Capital Assets	\$ 8,372,741	\$ 639,487	\$ -	\$ 9,012,228

Depreciation expense was charged to functions as follows:

Instruction	
Vocational	\$ 29,173
Support services	
Instructional support services	2,198
Buildings and grounds	8,702
Pupil transportation	36,134
Other support services	250
Food service	6,608
Unallocated	365,026
Total Depreciation Expense	\$ 448,091

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CAPITAL ASSETS (continued)

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

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Trust Fund</u>	<u>Food Service Fund</u>
Special education curriculum	\$ 3,953	\$ -	\$ -	\$ -
Instructional support services	5,269	-	-	-
Buildings and grounds	172,784	630,396	5,025	-
Pupil transportation	3,541	124,173	-	-
Other support services	98,573	38,972	-	-
Food service	-	-	-	4,892
Totals	<u>\$ 284,120</u>	<u>\$ 793,541</u>	<u>\$ 5,025</u>	<u>\$ 4,892</u>

NOTE 4 – LONG-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds, Notes and Loans Payable					
General obligation debt	\$ 3,695,000	\$ -	\$ 555,000	\$ 3,140,000	\$ 565,000
Capital leases	8,845	38,972	28,688	19,129	15,932
Other Long-Term Liabilities					
Net pension liability	220,418	-	220,418	-	-
Total Long-Term Liabilities	<u>\$ 3,924,263</u>	<u>\$ 38,972</u>	<u>\$ 804,106</u>	<u>\$ 3,159,129</u>	<u>\$ 580,932</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.

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>End of Year Balance</u>
General Obligation Debt:					
Refunding Bonds	1/5/2012	4/1/2020	.6% - 2.0%	\$ 4,380,000	\$ 1,140,000
Notes payable	4/3/2017	4/1/2027	2% - 3%	2,000,000	2,000,000
Other Long-Term Liabilities					
Capital leases payable					19,129
Total Governmental Activities Long-Term Obligations					<u>\$ 3,159,129</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

Interest expense of \$80,335 was incurred and \$82,518 was paid for the year. Interest expense was not allocated to any other functions.

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

Year	Principal	Interest	Total
2019	\$ 565,000	\$ 72,193	\$ 637,193
2020	575,000	61,740	636,740
2021	135,000	50,240	185,240
2022	295,000	47,567	342,567
2023	300,000	41,254	341,254
2024-2027	1,270,000	89,505	1,359,505
Totals	<u>\$ 3,140,000</u>	<u>\$ 362,499</u>	<u>\$ 3,502,499</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the schedule on the 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 \$39,987,214. Total general obligation debt outstanding at year-end was \$3,140,000.

NOTE 5 - LEASE DISCLOSURES

LESSEE - CAPITAL LEASES

The District leases equipment through 2020. The following is a schedule, by year, of the future minimum lease payments:

<u>Year Ending June 30</u>	
2019	\$ 16,393
2020	3,402
Total	<u>19,795</u>
Less amount representing interest	666
Principal portion	<u>\$ 19,129</u>

The cost of the equipment was \$48,307.

LESSEE - OPERATING LEASES

The District has no material operating leases with a remaining non-cancellable term exceeding one 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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM

All eligible (District) employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours of teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

Note: employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2018 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.80%	6.80%
Executives & Elected Officials	6.80%	6.80%
Protective with Social Security	6.80%	10.60%
Protective without Social Security	6.80%	14.90%

The payroll for District employees covered by the WRS for the year ended June 30, 2018 was \$4,074,822, the employer’s total payroll was \$4,648,091. The total required contribution for the year ended June 30, 2018 was \$555,686 which consisted of \$277,843 from the employer and \$277,843 from employees. Total contributions for the years ending June 30, 2017 and 2016 were \$525,806 and \$495,819, 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 earning 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 after January 1 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

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

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

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factors, their final average earnings and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	.5	(5)
2017	2.0	4.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category was merged in to the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$273,308 in contributions from the District.

Actuarial Assumptions. The total pension liability was determined using the following actuarial assumptions:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

Actuarial Assumptions (continued)

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Retirement Funds
Asset Allocation Targets and Expected Returns
 As of December 31, 2017

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.5%	4.6%
International Equities	30	7.8	4.9
Total Variable Fund	100%	7.9%	5.0%

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

Schedule of Employer Allocations. The Employer Allocation Percentage is based on the employer’s average required contribution for the three most recent calendar years compared to the average required contributions for all employers for the same period. If an employer did not participate in the WRS for all three years, their average employer contributions are based on the years in which they participated. In case of employer mergers, prior year contributions are restated based on the status in the final year. The Employer Allocation Percentage is rounded to eight decimal places.

Schedule of Pension Amounts. The employer’s proportionate share of the collective Net Pension Liability (Asset), Deferred Outflows of Resources, Deferred Inflows of Resources, and Total Employer Pension Expense (Income) is based on the Employer Allocation Percentage.

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

At June 30, 2018, the District reported a liability (asset) of \$(793,827) its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The District’s proportion of the net pension liability (asset) was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District’s proportion was 0.02673613%, which was a decrease of 0.0000059% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$351,908.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,008,577	\$ 471,780
Changes in assumptions	156,844	-
Net differences between projected and actual earnings on pension plan investments	849,625	1,940,667
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,561	-
Employer contributions subsequent to the measurement date	<u>140,669</u>	<u>-</u>
Total	<u>\$ 2,172,276</u>	<u>\$ 2,412,447</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

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

\$140,669 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 813,467	\$ 720,010
2020	719,027	720,010
2021	258,246	527,998
2022	238,957	444,429
Thereafter	1,220	14

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
District’s proportionate share of the net pension liability (asset)	\$ 2,053,902	\$ (793,827)	\$ (2,958,190)

Additional Financial Information for the WRS- For additional information regarding the WRS financial statements and audit report, please visit the Department of Employee Trust Fund’s web site at <http://etf.wi.gov/publications/cafr.htm>.

At year end, the District reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Governmental Activities

Net investment in capital assets	\$ 9,012,228
Less: related long-term debt outstanding, net of unspent proceeds	3,159,129
Total Net Investment in Capital Assets	<u>5,853,099</u>
Restricted	
Special revenue trust fund	23,003
Debt service fund	68,454
Food service program	11,045
Capital improvement trust fund	205,378
Capital project fund	1,036,606
Community service fund	76,047
Pension	<u>553,656</u>
Total Restricted	<u>1,974,189</u>
Unrestricted	<u>3,872,631</u>
Total Governmental Activities Net Position	<u>\$ 11,699,919</u>

NOTE 8 – GOVERNMENTAL FUND BALANCES

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

Nonspendable	
Major Fund	
General fund-prepaid expenses	\$ <u>36,288</u>
Committed	
Special Revenue Trust fund	<u>1,194,035</u>
Restricted	
Major Fund	
Special Revenue Trust fund	23,003
Capital Project fund	1,036,606
Nonmajor Fund	
Debt Service fund	68,454
Long-term Capital Improvement Trust fund	205,378
Food Service fund	11,045
Community Service fund	<u>76,047</u>
Total Restricted Fund Balances	<u>1,420,533</u>
Assigned	
Major Fund	
General fund-for working capital and special project purposes	2,647,538
Nonmajor Fund	
Community Service fund	<u>12,782</u>
Total Assigned Fund Balances	<u>2,660,320</u>
Total Governmental Fund Balances	<u>\$ 5,311,176</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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>\$ 9,012,228</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 position.

Bonds, notes and leases payable	\$ 3,159,129
Accrued interest	<u>18,012</u>
Combined Adjustment	<u>\$ 3,177,141</u>

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

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	\$ 20,195
Ending	<u>(18,012)</u>
Increase	<u>\$ 2,183</u>

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

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

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Regular instruction	\$ 11,028
Instructional support services	22,878
Buildings and grounds	22,104
Other support services	123,702
Debt service	100
Special Education Fund:	
Instructional support services	9,169
Pupil transportation	13,071
Other support services	685

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – RISK MANAGEMENT

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.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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.

NOTE 14 – LIMITATION OF SCHOOL DISTRICT REVENUES

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.

NOTE 15 - POST-EMPLOYMENT BENEFITS

General Information About the Plan. The District provides post-employment benefit options for health care to eligible retirees. The benefits are provided in accordance with District administrative contracts and District policy. 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 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.

For teachers retiring after June 30, 2006, the monthly benefit payable towards medical and dental insurance coverage was 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 was 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. This benefit was terminated as of July 1, 2012.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

General Information About the Plan (continued)

Non-administrative certified professional staff retiring between June 30, 2014 through June 30, 2016, who are at least 55 years of age and have at least 15 years of consecutive service with the District are eligible for an HRA contribution. The amount is determined by multiplying \$200 per year of service up to a maximum of 30 years. The resulting amount is contributed annually for a set number of years based on retirement date. Non-administrative certified professional staff who retire after June 30, 2016, are not eligible for a benefit.

Plan Membership. As of June 30, 2016, actuarial valuation, membership consisted of the following:

Retirees receiving benefits	8
Active employees	<u>-</u>
Total:	<u><u>8</u></u>

Schedule of Changes in the Net OPEB Liability and Related Ratios.

	June 30, 2016
Total OPEB Liability	
Service Cost	\$ -
Interest	8,874
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other input	-
Benefit payments	(145,245)
Net change in total OPEB liability	(136,371)
Total OPEB liability - beginning	<u>368,413</u>
 Total OPEB liability - ending (a)	 <u><u>\$ 232,042</u></u>
 Fiduciary Net Position	
Contributions - Employer	\$ -
Net investment income	2,254
Benefit payments	(145,245)
Administrative expense	-
Net change in fiduciary net position	(142,991)
Fiduciary net position - beginning	<u>448,814</u>
 Fiduciary net position - ending (b)	 <u><u>\$ 305,823</u></u>
 Net OPEB Liability	
Net OPEB liability - ending (a)-(b)	<u><u>\$ (73,781)</u></u>
Fiduciary net position as a percentage of the total OPEB liability	131.80%
Covered Payroll	\$ -
Net OPEB liability as a percentage of covered payroll	N/A

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions. The major assumptions used in this valuation are as follows:

Actuarial Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
Reporting Date	June 30, 2017
Actuarial Cost Method	Alternative Measurement Method:
	Entry Age Normal (level percent of salary)
Medical Care Trend	7.50% decreasing by 0.50% per year down to 6.5%, then by 0.10% per year down to 5.0%, and level thereafter
Discount Rate	3.00% (based upon all years of projected payments discounted at a 3.00% long-term expected rate of return)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health-Care Cost Trend Rates

Sensitivity of Net OPEB Liability to Changes in Discount Rate

	1% Decrease <u>2.00%</u>	Current Discount Rate <u>3.00%</u>	1% Increase <u>4.00%</u>
Total OPEB Liability	\$ 234,856	\$ 232,042	\$ 229,300
Fiduciary Net Position	305,823	305,823	305,823
Net OPEB Liability 6/30/2016	<u>\$ (70,967)</u>	<u>\$ (73,781)</u>	<u>\$ (76,523)</u>

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 231,548	\$ 232,042	\$ 232,538
Fiduciary Net Position	305,823	305,823	305,823
Net OPEB Liability 6/30/2016	<u>\$ (74,275)</u>	<u>\$ (73,781)</u>	<u>\$ (73,285)</u>

The OPEB asset or excess fiduciary position is not being recorded on the District's statement of net position until all benefits are paid and to remain on the conservative side of financial reporting, however, the District does believe the benefits as they currently exist are fully funded.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Calculation of Collective OPEB Expense

Change in Net OPEB Liability	\$ 6,620
(Increase)/Decrease in Deferred Outflows	-
Increase/(Decrease) in Deferred Inflows	-
Contributions - Employer	-
OPEB Expense	\$ 6,620
<hr/>	
Operating Expenses	
Service Cost	\$ -
Contributions - Employees	-
Administrative expenses	-
Total (a)	\$ -
Financing Expenses	
Interest	\$ 8,874
Actual return on assets	(2,254)
Total (b)	\$ 6,620
Changes	
Benefit changes	\$ -
Recognition of assumption changes	-
Recognition of experience gains and losses	-
Recognition of investment gains and losses	-
Total (c)	\$ -
OPEB Expense (a+b+c)	\$ 6,620
OPEB Expense as % of Payroll	N/A

Deferred Inflow and Outflow of Resources

This is the initial period in which GASB Statement 75 will be adopted; therefore, it was determined impractical, pursuant to paragraph 244 of GASB Statement 75, to determine deferred inflows or outflows of resources due to change in benefit terms, differences between expected and actual experience, or change of assumption or other input.

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

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.

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

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

Fund	Due From	Due To
General Fund	\$ 324,020	\$ 86,757
Special Revenue Trust Fund	58,214	10,000
Special Education Fund	3,079	-
Capital Project Fund	-	3,000
Food Service Fund	86,014	-
Pupil Activity Fund	1,813	1,969
Community Service Fund	10,000	357,125
Employee Benefit Trust Fund	-	24,289
Totals	<u>\$ 483,140</u>	<u>\$ 483,140</u>

The balances are a result of operating activity between the funds for the year and are expected to be repaid within a year.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2018, the date the financial statements were available to be issued.

NOTE 18 - GASB PRONOUNCEMENTS

GASB statements are issued periodically. The District evaluates statements as they are issued and adopts those that are applicable as required by the individual statement. GASB No. 75 requires the District to recognize its net OPEB liability on the face of the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2018

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 3,450,149	\$ 3,450,149	\$ 3,479,745	\$ 29,596
Interdistrict	352,500	352,500	358,356	5,856
Intermediate	-	-	8,803	8,803
State	4,259,188	4,259,188	4,272,431	13,243
Federal	111,238	111,238	101,787	(9,451)
Other	2,500	2,500	212	(2,288)
Total Revenues	8,175,575	8,175,575	8,221,334	45,759
EXPENDITURES				
Instruction				
Regular	3,306,278	3,306,278	3,317,306	(11,028)
Vocational	261,734	261,734	259,989	1,745
Other	446,026	446,026	440,901	5,125
Total instruction	4,014,038	4,014,038	4,018,196	(4,158)
Support Services				
Pupil services	218,399	218,399	209,456	8,943
Instructional support services	211,307	211,307	234,185	(22,878)
Administration	968,724	968,724	947,150	21,574
Buildings and grounds	1,080,128	1,080,128	1,102,232	(22,104)
Pupil transportation	280,692	280,692	257,922	22,770
Other support services	376,372	376,372	500,074	(123,702)
Debt service	375	375	475	(100)
Total support services	3,135,997	3,135,997	3,251,494	(115,497)
Non-program				
General tuition payments	595,000	595,000	593,197	1,803
Total non-program	595,000	595,000	593,197	1,803
Total Expenditures	7,745,035	7,745,035	7,862,887	(117,852)
Excess of revenues over expenditures	430,540	430,540	358,447	(72,093)
OTHER FINANCING USES				
Transfer from (to) other funds	(507,223)	(507,223)	(402,334)	104,889
Net Change in Fund Balance	(76,683)	(76,683)	(43,887)	32,796
FUND BALANCES-BEGINNING OF YEAR	2,727,713	2,727,713	2,727,713	-
FUND BALANCES-END OF YEAR	\$ 2,651,030	\$ 2,651,030	\$ 2,683,826	\$ 32,796

See notes to the required supplementary information.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interdistrict	\$ 40,000	\$ 40,000	\$ 27,936	\$ (12,064)
Intermediate	10,000	10,000	23,758	13,758
State	115,000	115,000	111,813	(3,187)
Federal	187,056	187,056	264,105	77,049
Total Revenues	<u>352,056</u>	<u>352,056</u>	<u>427,612</u>	<u>75,556</u>
EXPENDITURES				
Instruction				
Special education	601,237	601,237	550,644	50,593
Total instruction	<u>601,237</u>	<u>601,237</u>	<u>550,644</u>	<u>50,593</u>
Support Services				
Pupil services	152,042	152,042	161,211	(9,169)
Instructional support services	56,100	56,100	54,435	1,665
Pupil transportation	47,100	47,100	60,171	(13,071)
Other support services	2,800	2,800	3,485	(685)
Total support services	<u>258,042</u>	<u>258,042</u>	<u>279,302</u>	<u>(21,260)</u>
Non-program				
Other non-program	-	-	-	-
Total Expenditures	<u>859,279</u>	<u>859,279</u>	<u>829,946</u>	<u>29,333</u>
Excess (deficiency) of revenues over expenditures	(507,223)	(507,223)	(402,334)	104,889
OTHER FINANCING SOURCES				
Transfer from (to) general fund-net	507,223	507,223	402,334	(104,889)
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2018**

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset	District's Proportionate Share of the Net Pension (Asset) Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/2017	0.02673613%	\$ (793,827)	\$ 4,018,334	19.76%	102.9%
12/31/2016	0.02674203%	\$ 220,418	\$ 3,801,676	5.80%	99.1%
12/31/2015	0.02715131%	\$ 441,204	\$ 3,804,609	11.60%	98.2%
12/31/2014	0.02762419%	\$ (678,526)	\$ 3,788,507	17.91%	102.7%

*The District is required to present the above information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2018**

WRS Fiscal Year End Date (Measurement Date)	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2017	\$ 273,308	\$ 273,308	\$ -	\$ 4,018,334	6.8%
12/31/2016	\$ 251,283	\$ 251,283	\$ -	\$ 3,801,976	6.6%
12/31/2015	\$ 258,774	\$ 258,774	\$ -	\$ 3,804,609	6.8%
12/31/2014	\$ 265,435	\$ 265,435	\$ -	\$ 3,788,507	7.0%

*The District is required to present the above information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the fund or function level depending upon the fund. Reported budget amounts are as originally adopted or as amended by Board of Education resolution. The District follows the budget procedures at note 1J.

NOTE B – BUDGETARY INFORMATION

The District adopts a separate budget for the special education special revenue fund. A reconciliation of the Revenues, Expenditures, and Other Financing Sources (Uses) per the budget to actual individual fund statements to the combined general fund/special education fund statement follows:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary statements)	\$ 8,221,334	\$ 427,612
Reclassification of special education	427,612	(427,612)
Total Revenues	8,648,946	-
Expenditures		
Actual amounts (budgetary statements)	7,862,887	829,946
Reclassification of special education	829,946	(829,946)
Total Expenditures	8,692,833	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary statements)	358,447	(402,334)
Reclassification of special education	(402,334)	402,334
Excess of Revenues Over (Under) Expenditures	(43,887)	-
Other Financing Sources (Uses)		
Actual amounts (budgetary statements)	(402,334)	402,334
Reclassification of special education	402,334	(402,334)
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance		
Actual amounts (combined statement)	(43,887)	-
Fund Balance - beginning		
Actual amounts (combined statement)	2,727,713	-
Fund Balance - ending		
Actual amounts (combined statement)	\$ 2,683,826	\$ -

NOTE C – WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of Assumptions. There were no changes in the assumptions.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SUPPLEMENTARY INFORMATION

June 30, 2018

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2018**

	General Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 1,784,814	\$ 106,854	\$ 1,891,668
Taxes receivable	1,196,053	-	1,196,053
Accounts receivable	-	-	-
Due from other funds	324,020	3,079	327,099
Due from other governments	102,944	87,559	190,503
Prepaid expenses	36,288	-	36,288
TOTAL ASSETS	\$ 3,444,119	\$ 197,492	\$ 3,641,611
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 36,200	\$ 412	\$ 36,612
Accrued payroll, payroll taxes, withholdings	636,474	197,080	833,554
Due other funds	86,757	-	86,757
Deferred revenue	862	-	862
Total Liabilities	760,293	197,492	957,785
 Fund Balances			
Nonspendable	36,288	-	36,288
Assigned	2,647,538	-	2,647,538
Total Fund Balances	2,683,826	-	2,683,826
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,444,119	\$ 197,492	\$ 3,641,611

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

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

For the Year Ended June 30, 2018

	General Fund	Special Education Fund	Total General Fund
REVENUES			
Local sources	\$ 3,479,745	\$ -	\$ 3,479,745
Interdistrict sources	358,356	27,936	386,292
Intermediate sources	8,803	23,758	32,561
State sources	4,272,431	111,813	4,384,244
Federal sources	101,787	264,105	365,892
Other sources	212	-	212
Total Revenues	<u>8,221,334</u>	<u>427,612</u>	<u>8,648,946</u>
EXPENDITURES			
Instruction			
Regular	3,910,503	-	3,910,503
Special education	-	550,644	550,644
Vocational	259,989	-	259,989
Other instruction	440,901	-	440,901
Total instruction	<u>4,611,393</u>	<u>550,644</u>	<u>5,162,037</u>
Support Services			
Pupil services	209,456	161,211	370,667
Instruction support services	234,185	54,435	288,620
Administration	947,150	-	947,150
Buildings and grounds	1,102,232	-	1,102,232
Pupil transportation	257,922	60,171	318,093
Other support services	500,074	3,485	503,559
Debt service	475	-	475
Total support services	<u>3,251,494</u>	<u>279,302</u>	<u>3,530,796</u>
Total Expenditures	<u>7,862,887</u>	<u>829,946</u>	<u>8,692,833</u>
Excess (deficiency) of revenues over expenditures	358,447	(402,334)	(43,887)
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	-	-	-
Operating transfers in	7,863	410,197	418,060
Operating transfers out	(410,197)	(7,863)	(418,060)
NET CHANGE IN FUND BALANCE	(43,887)	-	(43,887)
FUND BALANCES-BEGINNING OF YEAR	<u>2,727,713</u>	<u>-</u>	<u>2,727,713</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,683,826</u>	<u>\$ -</u>	<u>\$ 2,683,826</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Debt Service	Food Service	Capital Improv Trust	Community Service	
ASSETS					
Cash and investments	\$ 68,454	\$ 4,768	\$ 205,378	\$ 372,005	\$ 650,605
Accounts receivable	-	654	-	1,215	1,869
Due from other funds	-	86,014	-	10,000	96,014
Due from other government	-	-	-	-	-
TOTAL ASSETS	\$ 68,454	\$ 91,436	\$ 205,378	\$ 383,220	\$ 748,488
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 1,501	\$ -	\$ 686	\$ 2,187
Accrued wages and taxes	-	13,888	-	1,582	15,470
Due to other funds	-	-	-	357,125	357,125
Total Liabilities	-	15,389	-	359,393	374,782
Fund Balances					
Assigned	-	-	-	12,782	12,782
Restricted	68,454	76,047	205,378	11,045	360,924
Total Fund Balances	68,454	76,047	205,378	23,827	373,706
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,454	\$ 91,436	\$ 205,378	\$ 383,220	\$ 748,488

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Debt Service	Capital Improv Trust	Food Service	Community Service	
REVENUES					
Local	\$ 665,631	\$ 374	\$ 166,592	\$ 242,419	\$ 1,075,016
State	-	-	4,497	-	4,497
Federal	-	-	142,155	-	142,155
Other	-	-	-	-	-
Total Revenues	<u>665,631</u>	<u>374</u>	<u>313,244</u>	<u>242,419</u>	<u>1,221,668</u>
EXPENDITURES					
Support Services					
Food service	-	-	303,884	-	303,884
Debt service	636,348	-	-	3,402	639,750
Total support services	<u>636,348</u>	<u>-</u>	<u>303,884</u>	<u>3,402</u>	<u>943,634</u>
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,645</u>	<u>263,645</u>
Total Expenditures	<u>636,348</u>	<u>-</u>	<u>303,884</u>	<u>267,047</u>	<u>1,207,279</u>
Excess (deficiency) of revenues over expenditures	29,283	374	9,360	(24,628)	14,389
OTHER FINANCING SOURCES					
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net Change in Fund Balance	29,283	374	9,360	5,372	44,389
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>39,171</u>	<u>205,004</u>	<u>66,687</u>	<u>18,455</u>	<u>329,317</u>
FUND BALANCES-END OF YEAR	<u>\$ 68,454</u>	<u>\$ 205,378</u>	<u>\$ 76,047</u>	<u>\$ 23,827</u>	<u>\$ 373,706</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2018**

	Beginning Balance	Receipts	Disbursements	Ending Balance
ASSETS				
Cash and investments	\$ 186,193	\$ 210,665	\$ 194,255	\$ 202,603
Accounts receivable	166	830	-	996
Due from other funds	-	1,813	-	1,813
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 186,359</u>	<u>\$ 213,308</u>	<u>\$ 194,255</u>	<u>\$ 205,412</u>
LIABILITIES				
Accounts payable	\$ 60	\$ -	\$ 60	\$ -
Due to other funds	1,969	-	-	1,969
Due to student organizations	184,330	213,308	194,195	203,443
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 186,359</u>	<u>\$ 213,308</u>	<u>\$ 194,255</u>	<u>\$ 205,412</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Agency/ Program Title	CFDA Number	Pass-Through Agency	Revenues		Accrued (Deferred) Ending Balance	Total Revenues	Total Expenditures Grantor Share
			(Accrued) Deferred Beginning Balance	Received			
U.S. DEPARTMENT OF EDUCATION							
Title I	84.010	WI DPI	\$ (66,997)	\$ 115,061	\$ 28,563	\$ 76,627	\$ 76,627
Title II-A	84.367	WI DPI	-	16,235	11	16,246	16,246
Special Education Cluster (IDEA)							
IDEA Flow Thru	84.027	WI DPI	(65,251)	145,142	52,707	132,598	132,598
IDEA Preschool	84.173	WI DPI	(13)	5,083	961	6,031	6,031
Total Special Education Cluster			<u>(65,264)</u>	<u>150,225</u>	<u>53,668</u>	<u>138,629</u>	<u>138,629</u>
U.S. DEPT OF HEALTH & HUMAN SERVICES							
Medical Assistance	93.778	CESA 10	-	132,283	2,104	134,387	134,387
U.S. DEPARTMENT OF AGRICULTURE							
Food Distribution - Commodities	10.565	WI DPI	-	27,076	-	27,076	27,076
Child Nutrition Cluster							
National Breakfast Program	10.553	WI DPI	(327)	14,117	-	13,790	13,790
National School Lunch Program	10.555	WI DPI	(2,255)	103,544	-	101,289	101,289
Total Child Nutrition Cluster			<u>(2,582)</u>	<u>117,661</u>	<u>-</u>	<u>115,079</u>	<u>115,079</u>
TOTAL FEDERAL AWARDS			<u>\$ (134,843)</u>	<u>\$ 558,541</u>	<u>\$ 84,346</u>	<u>\$ 508,044</u>	<u>\$ 508,044</u>

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, 2018

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		
DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Special Education and School Age Parents Participant in Package Programs:	255.101	\$ -	\$ 111,813	\$ -	\$ 111,813	\$ 111,813
Waupaca Schools		-	-	27,936	27,936	27,936
CESA # 5		-	17,803	5,955	23,758	23,758
Total Handicapped Program		-	129,616	33,891	163,507	163,507
School Lunch Aid Program	255.102	-	3,694	-	3,694	3,694
Common School Fund Library Aid	255.103	-	26,771	-	26,771	26,771
General Equalization	255.201	(56,055)	3,615,809	61,645	3,621,399	3,621,399
Sparsity Aid	255.212	-	208,159	-	208,159	208,159
Pupil Transportation	255.107	-	29,546	-	29,546	29,546
Peer Review & Mentoring	255.301	-	6,693	-	6,693	6,693
School Breakfast Aid Program	255.344	-	803	-	803	803
Per Pupil Adjustment Aid	255.945	-	308,250	-	308,250	308,250
Educator Effectiveness	255.940	-	4,880	-	4,880	4,880
Career & Technical Education Incentive	255.950	-	5,701	-	5,701	5,701
Assessments of Reading Readiness	255.956	-	1,659	-	1,659	1,659
Teacher Training for Educ Technology		(10,933)	28,283	7,781	25,131	25,131
Payment In Lieu of Taxes		-	46,899	-	46,899	46,899
Computer Aid		(2,798)	2,798	2,839	2,839	2,839
Total Wisconsin Department of Public Instruction		(69,786)	4,419,561	106,156	4,455,931	4,455,931
TOTAL STATE AWARDS		\$ (69,786)	\$ 4,419,561	\$ 106,156	\$ 4,455,931	\$ 4,455,931

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, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the Schedules) include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Guidelines. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Expenditures are reported on the accrual basis of accounting on the schedules. Expenditures are recognized following the cost principles in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2017-2018 eligible costs under the State Special Education Program are \$462,290.

NOTE 3 - FOOD DISTRIBUTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-1 and 2018-2 that we consider to be significant deficiencies.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Accounting Workshop SC

Accounting Workshop, SC
November 21, 2018

Independent Auditor's Report On Compliance
For Each Major State Program
And On Internal Control Over Compliance
Required By The Wisconsin Department Of Public Instruction

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

Report on Compliance for Each Major State Program

We have audited the School District of Iola-Scandinavia's (District's) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. 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 major state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *Wisconsin Public School District Audit Manual*.

District's Response to Findings

The District's response to the financial statement findings identified in our audit is described in the accompanying summary of auditor's results. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-1 and 2018-2 to be significant deficiencies.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Accounting Workshop SC

Accounting Workshop, SC
November 21, 2018

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified?	_____ <u>X</u> yes	_____ no
Noncompliance material to the financial statements	_____ yes	_____ <u>X</u> no

State Awards

Internal control over financial reporting:		
Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> no

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines?	_____ yes	_____ <u>X</u> no
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Identification of major state programs

State Number	Name of State Program
255.101	Special Education and School Age Parents
255.201	General Equalization Aid

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II - Financial Statement Findings

FINDING 2018-1: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: A system of internal control should be in place that provides reasonable assurance that year end financial statements, including the schedules of expenditures of federal and state awards, are complete and accurate.

Condition: There is a lack of controls over the year end financial reporting process. We, as your auditors, prepared the District's financial statements and schedules of expenditures of federal and state awards.

Cause: Due to its size, the District does not have the funds to hire the additional staff that would be required in order to have enough time and expertise to record all year end closing entries and prepare its own financial statements, including the schedules of expenditures of federal and state awards.

Effect: Because of the lack of controls over year end financial reporting, your financial statements may be misstated before the annual audit is completed.

Recommendation: Most small districts operate with only enough staff to process monthly transactions and reports, and will continue to rely on outside consultants to handle year end financial reporting. The school board should continue to make a reasonable effort to be knowledgeable about the District's financial condition and financial reporting requirements.

Management's Response/Planned Corrective Action: It is indicated that the District has significant deficiencies due to the fact that we do not prepare a complete set of audit reports including footnotes and we have audit adjustments. As stated in the report, there are very few schools that have met these strict standards and the District is no exception. To meet these new standards we would need additional staff, primarily a CPA dedicated to meeting these standards.

District staff will accumulate as much of the information required for federal and state awards as we can and reconcile the revenue and expenditure information to the general ledger for these awards. We will continue to rely on the assistance of our auditors to draft the financial statements because the District does not have the staff needed to perform this task. Management reviews and compares the financial statements to District financial records and accepts responsibility for the financial statements.

FINDING 2018-2: INTERNAL CONTROL

Criteria: A system of internal control should be in place to achieve a higher reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: Some key controls over the accounts payable/disbursements, payroll, and monthly and year end accounting transaction cycles are not in place. There is some lack of segregation of duties over these areas.

Cause: Due to its size, the District does not have an adequate number of employees needed to implement the ideal controls over these transaction cycles.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II - Financial Statement Findings (continued)

FINDING 2018-2: INTERNAL CONTROL (continued)

Recommendation: Most of the key controls lacking for accounts payable/disbursements, payroll, and monthly and year end accounting are not possible to cure without adding additional staff. The board and management should continue to make a reasonable effort to be knowledgeable about its key transaction cycles.

Management's Response/Planned Corrective Action: The District is aware of our lack of controls over disbursements, payroll, and monthly and year end accounting. Currently, the administrator and school board review financial information as an additional control. The monthly board packets include revenues compared to the previous years and budget, expenditures compared to previous years and budget, and check registers.

Section III – State Award Findings and Questioned Costs

See item 2018-2 under financial statement findings.

Section IV – Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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

Department of Public Instruction	_____ yes	<u> X </u> no
Department of Health Services	_____ yes	<u> X </u> no
Department of Natural Resources	_____ yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ yes X no

4. Name and signature of partner 

Jeffrey Kropp, CPA

5. Date of report November 21, 2018

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

DEPARTMENT OF EDUCATION

Finding 2017-2: 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.