

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**IOLA, WISCONSIN**

**FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITOR'S REPORT**

**AS OF JUNE 30, 2010**

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

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**June 30, 2010**

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**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

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## ACCOUNTING WORKSHOP, SC

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### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District at June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and special education fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Accounting Workshop SC*

Accounting Workshop, SC  
November 3, 2010

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

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

#### THE DISTRICT

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

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

#### School Board

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

<u>Name</u>	<u>Occupation</u>	<u>Expiration Of Term</u>
Tom Opperman, President	Farmer	April, 2013
Randy L. Frye, Vice President	Lineman	April, 2011
William Peterson, Treasurer	Farmer	April, 2013
Colleen Sykes, Clerk	Homemaker	April, 2012
Daniel Loken, Board Member	Teacher	April, 2011
Kelton Wilhite, Board Member	Administrator	April, 2011
Charlie Wasrud, Board Member	Self-Employed	April, 2012

#### Administration

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

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

#### District Facilities

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

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

#### GENERAL INFORMATION

##### Location

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

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

##### Education

The School District of Iola-Scandinavia offers a comprehensive educational program for students in the kindergarten through the twelfth grades. Through the use of one high school/middle school and one elementary school, students participate in excellent educational programs. The District has a 2001 estimated population of 4,098 and employs 160 people. Enrollment for the 2008-2009 school year is 779 students. For further information, the District's Website is [www.iola.k12.wi.us](http://www.iola.k12.wi.us).

##### Post-Secondary Education

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

#### FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net assets, increased by \$92,595. The assets of the school district exceeded liabilities at the close of the fiscal year by \$8.8M (*net assets*). Of this amount, \$4.9M represents amounts invested in capital assets, net of related debt and \$1.6M is restricted for encumbrances, debt retirement, special trust fund purposes, food and community service programs. This results in net unrestricted assets of \$2.2M.
- The General Fund (Fund 10) fund balance increased by \$61,183. The original budget was adopted with a deficit of \$28,149. The original budget was amended during the year.
- Financial activity resulted in a deficit of \$112 in the Food Service Fund (Fund 50) and a surplus of \$1,548 in the Community Service Fund (Fund 80).
- Capital assets have been reported at \$16.2M less depreciation of \$6.1M for a net capital asset value of \$10.1M. (See Note 3) The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$300. A physical inventory of the District's assets has been maintained annually. The addition of asset depreciation has been incorporated in the financial report.
- The District did not issue any new general obligation debt in FY 2009.
- The District contributed \$267,231 to the Employee Benefit Trust in FY 2010.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

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

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

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

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010

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

**Table #1**

	-----Fund Financial Statements-----			
	District Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds)	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <b><u>The District does not report any program for this designation.</u></b>	Assets held by the district on behalf of someone else. Student organizations that have funds on deposit with the district and the District's Pension Trust Fund are reported here.
Required financial statements	Statement of net assets, and Statement of activities	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and Statement of revenues, expenses and changes in net assets, and Statement of cash flows.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting  Economic resources focus	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.	Accrual accounting.  Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All asset and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010

**Table #2**

<b><u>Condensed Statement of Net Assets</u></b>				
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>Dollar Change</u></b>	<b><u>% Change</u></b>
<b><u>Assets</u></b>				
Current Assets	\$ 4,590,644	\$ 4,537,494	\$ 53,150	1.2
Capital Assets	<u>10,121,262</u>	<u>10,429,211</u>	<u>(307,949)</u>	(3.0)
<b>Total Assets</b>	<b><u>\$ 14,711,906</u></b>	<b><u>\$ 14,966,705</u></b>	<b><u>\$(254,799)</u></b>	<b>(1.7)</b>
<b><u>Liabilities</u></b>				
Current Liabilities	\$ 1,180,693	\$ 1,103,087	\$ 77,606	7.0
Non-Current Liabilities	<u>4,775,000</u>	<u>5,200,000</u>	<u>(425,000)</u>	(8.2)
<b>Total Liabilities</b>	<b><u>\$ 5,955,693</u></b>	<b><u>\$ 6,303,087</u></b>	<b><u>\$(347,394)</u></b>	<b>(5.5)</b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, net of related debt	\$ 4,921,262	\$ 4,829,211	\$ 92,051	1.9
Restricted	1,641,184	1,690,966	(49,782)	(2.9)
Unrestricted	<u>2,193,767</u>	<u>2,143,441</u>	<u>50,326</u>	2.3
<b>Total Net Assets</b>	<b><u>\$ 8,756,213</u></b>	<b><u>\$ 8,663,618</u></b>	<b><u>\$ 92,595</u></b>	<b>1.1</b>

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

As of June 30, 2010, the District reported total assets of \$14.7M and total liabilities of \$6M. Net assets amount to \$8.7M. \$4.9M of the net asset value is the District's investment in capital assets which includes the estimated historical cost of sites, site improvements, buildings, building improvements, furniture and equipment net of accumulated depreciation.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

**Table #3**

<u>Changes in Net Assets from Operating Results</u> <u>For Governmental Activities</u>					
	<u>Actual</u> <u>2009-10</u>	<u>%</u>	<u>Actual</u> <u>2008-09</u>	<u>%</u>	<u>%</u> <u>Change</u>
<b>Revenues:</b>					
<b>Program</b>					
Charges for Services	\$ 654,316	7.0	\$ 598,742	6.6	9.3
Operating Grants & Cont.	756,922	8.0	533,782	5.8	41.8
<b>General</b>					
Property & Other Taxes	3,856,836	40.9	3,216,927	35.2	19.9
General Fed & State Aid	4,088,042	43.4	4,695,043	51.4	(12.9)
Other	62,575	0.7	92,347	1.0	(32.2)
<b>Total Revenue</b>	<u>9,418,691</u>	100.0	<u>9,136,841</u>	100.0	3.1
<b>Expenses:</b>					
Instruction	5,119,814	54.9	4,758,748	52.7	7.6
Pupil & Instr. Ser.	514,545	5.5	595,895	6.6	(13.7)
Administration	1,080,977	11.6	1,125,807	12.5	(4.0)
Building and Grounds	1,118,909	12.0	1,085,099	12.0	3.1
Pupil Transportation	351,829	3.8	328,958	3.6	7.0
Other Support Services	578,351	6.2	567,600	6.3	1.9
Interest and Fees	224,106	2.4	246,916	2.7	(9.2)
Food Service	337,565	3.6	315,025	3.6	7.2
<b>Total Expense</b>	<u>9,326,096</u>	100.0	<u>9,024,048</u>	100.0	3.3
<b>Change in Net Assets</b>	<u>\$ 92,595</u>		<u>\$ 112,793</u>		

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 2010

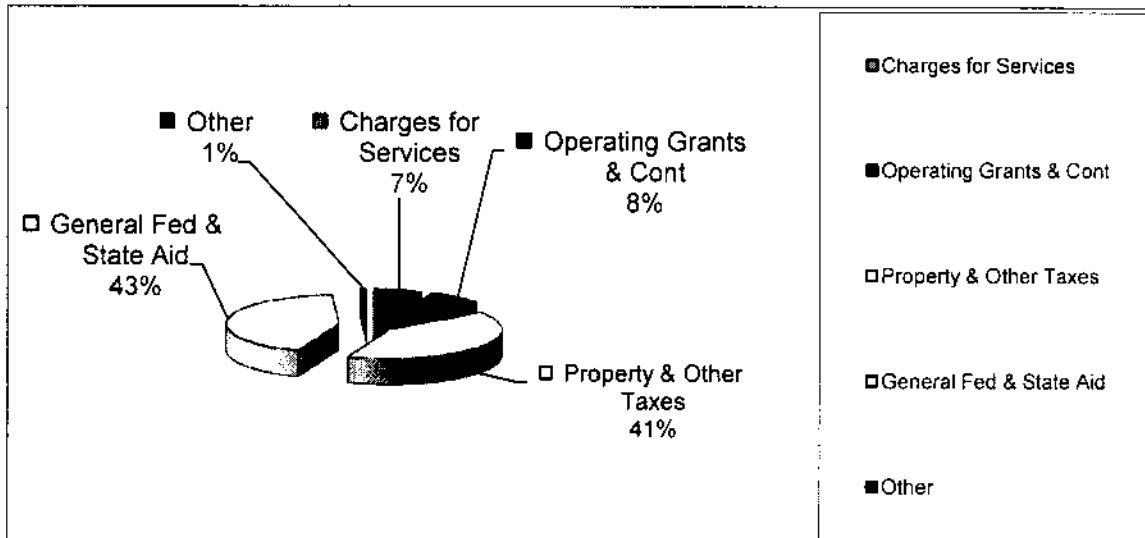
**Revenue (Table #3)**

- For FY 10, the District received \$9.4M in revenue. 40.9% of this total came from local school property tax and prior year tax backs. 43.4% of the total came in the form of federal and state aid. The District receives approximately 15% of all revenue in the form of specific use, state grants, federal aid and direct fees for services.
- Individuals who directly participated or benefited from a program offering contributed \$654,316 of the cost. Book and activity fees, admissions to athletic events, food service fees, open enrollment tuition and building rental fees are included here.
- In addition, Federal and State government subsidized certain programs with grants and contributions of \$756,922. Special education, transportation and food service aid are included here.

**Chart #1 - Table #3**

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

**Revenue by Source - FY 09-10**



# SCHOOL DISTRICT OF IOLA-SCANDINAVIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

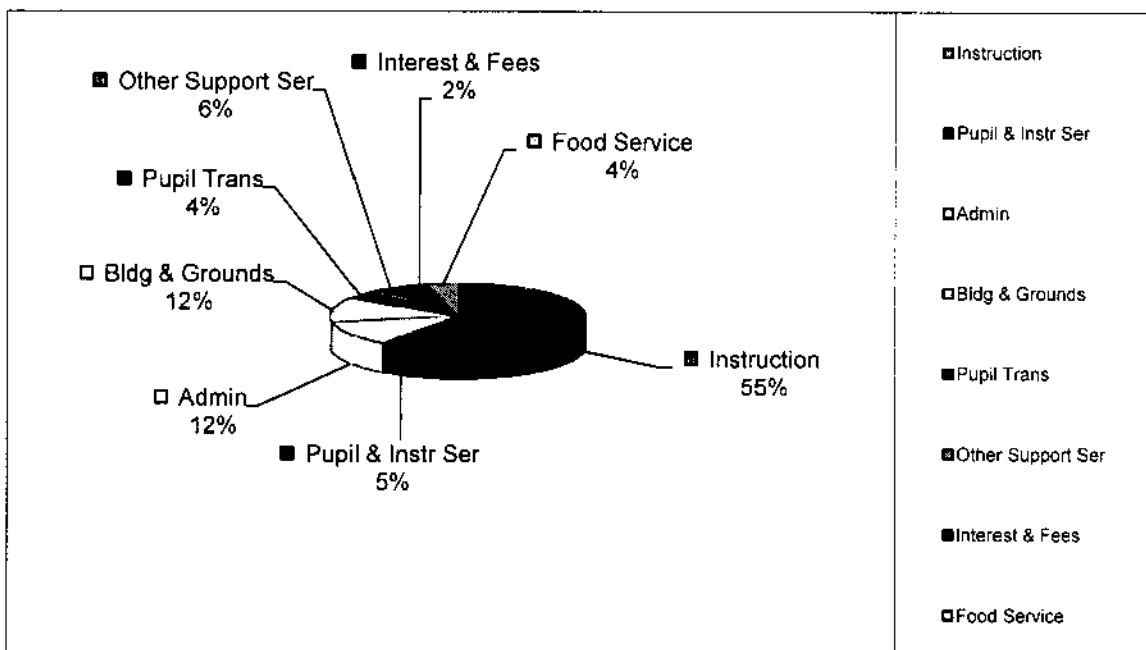
### Expenses (Table #3)

- For FY 10, the District's total expenditure amount was \$9.3M. 60.4% was directed to pupil instruction and instructional services. Costs for textbooks, teacher salaries/benefits and instructional supplies are included in this amount. General/Building Administration and Central Services account for 33.6%. These costs included student transportation, individual building budgets, district maintenance and school business insurance. The Food Service Program represents 3.6% and costs for debt service represents approximately 2.4% of total expenditures.

### Chart #2 - Table #3

This Chart illustrates the Distribution of costs by Function.

**Expenses by Function - FY 09-10**



**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010

**Table #4**

<b>Net Cost of Governmental Activities</b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Instruction</b>	5,119,814	4,758,748	4,302,385	4,182,461
<b>Pupil &amp; Instr. Services</b>	514,545	595,895	466,386	557,649
<b>General &amp; Building Adm. Serv.</b>	2,199,886	2,210,906	2,031,198	2,051,424
<b>Business and Central Services</b>	930,180	896,558	887,605	856,453
<b>Food Service Program</b>	337,565	315,025	3,178	(3,379)
<b>Interest/fees, other</b>	224,106	246,916	224,106	246,916
<b>Total</b>	<u>9,326,096</u>	<u>9,024,048</u>	<u>7,914,858</u>	<u>7,891,524</u>

\* Total cost of all governmental activities was \$9.3M. (Table #4)

\* The net cost of governmental activities (\$7.9M) was financed by general revenues, which are primarily made up of property taxes (\$3.9M) and general federal and state aid (\$4.1M). Miscellaneous and investment earnings accounted for \$62,575. In addition, District operations were subsidized by \$1,411,238 which was collected through direct fees and contributions/grants.

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

Fund 10 budget was approved with a deficit of \$5,590. The actual results for the year show a surplus of \$61,183. The variance is due to actual revenues exceeding the budget by \$5,761 and expenditures being under the budget by \$61,012.

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2010

#### **Fund Balances :**

- The District shows a total for all fund balances of \$3.9M as of year end. (See Note #8).
- \$2.3M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short term operations. The Fund 10 fund balance is 28% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating and allows the District to respond to non-recurring economic needs.
- \$1.5M in the Special Revenue Trust Fund (Fund 21) is reserved for maintenance and operation of the aquatic/fitness center.
- \$107,487 in the Debt Service Fund (Fund 39) is reserved to make October interest payment on long-term debt.
- \$16,565 is reserved in the food service and community service programs for future expenditures.

#### **Governmental Activities:**

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

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

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

##### **Capital Assets**

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

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

- At year-end, the District had \$5.2M in Long-Term Governmental Obligations. The debt is related to building projects, representing a significant investment in the District's capital infrastructure.

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

## SCHOOL DISTRICT OF IOLA-SCANDINAVIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

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

- The State of Wisconsin has a history of budget deficits. Since the state budget currently funds two thirds of the cost of K-12 education, local school districts, including Iola-Scandinavia, are concerned that the future funding level may be negatively impacted.
- Fuel prices have fluctuated dramatically in the United States. If this situation continues, utility and transportation costs of the District may exceed budget amounts.
- The State of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payment based on the number of students who transfer. The District has actively encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. This year the number of non-resident open enrollment pupils attending Iola-Scandinavia Schools exceeded the number of resident pupils attending other districts. It is important for the District to maintain a quality instructional program and attractive physical plant to maintain a competitive advantage for open enrollment pupils.
- One of the most important variables in the District's financial future is the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing annually. If rate increases continue, the cost of health benefits will have an impact on the instructional services provided in the District. Based on current trends, officials expect an increase next year. Administration has been implementing various employee cost sharing measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge.
- Beginning this year, the District is recognizing a liability in the statement of net assets for any post-employment benefits owed to District employees. During FY 2005, the District established a pension benefit trust for funding purposes and engaged an actuary to compute the liability based on the current employee census. The District to date has funded \$864,237 of the actuarial accrued liability of \$2,775,751. This is an aidable cost under the current equalization aid formula. Governmental accounting standards require periodic re-valuations of the liability based on a changing employee census. See Note 15 for further information.

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

This Financial Report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Jon Novak, Business Manager, Iola-Scandinavia Schools, 450 Division Street, Iola, WI 54945, (715) 445-2411.

## **BASIC FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF NET ASSETS

June 30, 2010

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ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 3,065,969
Taxes receivable	1,323,875
Accounts receivable	1,203
Interest receivable	10,424
Due from other governments	166,938
Prepaid items	22,235
Total Current Assets	<u>4,590,644</u>
NONCURRENT ASSETS	
Capital assets	16,245,796
Less: Accumulated depreciation	<u>6,124,534</u>
Net Capital Assets	<u>10,121,262</u>
Total Assets	<u>14,711,906</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	738,925
Current portion of long-term obligations	<u>441,768</u>
Total Current Liabilities	<u>1,180,693</u>
NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	<u>4,775,000</u>
Total Liabilities	<u>5,955,693</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,921,262
Restricted	1,641,184
Unrestricted	<u>2,193,767</u>
Total Net Assets	<u>\$ 8,756,213</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Instruction</b>				
Regular	\$ 3,758,434	\$ 240,911	\$ 136,963	\$ (3,380,560)
Vocational	298,504	2,220	-	(296,284)
Special education	625,482	7,870	399,490	(218,122)
Other	437,394	29,975	-	(407,419)
Total Instruction	<u>5,119,814</u>	<u>280,976</u>	<u>536,453</u>	<u>(4,302,385)</u>
<b>Support Services</b>				
Pupil services	296,263	-	1,713	(294,550)
Instructional support services	218,282	-	46,446	(171,836)
Administration	1,080,977	163,557	1,780	(915,640)
Buildings and grounds	1,118,909	3,351	-	(1,115,558)
Pupil transportation	351,829	-	27,865	(323,964)
Other support services	279,344	-	-	(279,344)
Interest and fees	224,106	-	-	(224,106)
Food service	337,565	191,722	142,665	(3,178)
Community service	14,264	14,710	-	446
Depreciation-unallocated*	284,743	-	-	(284,743)
Total Support Services	<u>4,206,282</u>	<u>373,340</u>	<u>220,469</u>	<u>(3,612,473)</u>
Total Activities	<u>\$ 9,326,096</u>	<u>\$ 654,316</u>	<u>\$ 756,922</u>	<u>(7,914,858)</u>
<b>General Revenues</b>				
<b>Taxes</b>				
Property taxes:				
General purposes				3,196,607
Debt service				610,000
Community service				2,000
Other				48,229
State and federal aids not restricted to specific functions:				
General				4,088,042
Investment Income				58,141
Miscellaneous				4,434
Total General Revenues				<u>8,007,453</u>
Change in Net Assets				92,595
NET ASSETS-BEGINNING OF YEAR				<u>8,663,618</u>
NET ASSETS-END OF YEAR				<u>\$ 8,756,213</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, 2010**

	General Fund	Special Revenue Trust Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 1,441,004	\$ 1,507,874	\$ -	\$ 107,487	\$ 9,604	\$ 3,065,969
Taxes receivable	1,323,875	-	-	-	-	1,323,875
Accounts receivable	1,203	-	-	-	-	1,203
Interest receivable	-	10,424	-	-	-	10,424
Due from other funds	350	-	-	-	25,206	25,556
Due from other governments	98,734	-	68,204	-	-	166,938
Other current assets	22,235	-	-	-	-	22,235
<b>TOTAL ASSETS</b>	<b><u>\$ 2,887,401</u></b>	<b><u>\$ 1,518,298</u></b>	<b><u>\$ 68,204</u></b>	<b><u>\$ 107,487</u></b>	<b><u>\$ 34,810</u></b>	<b><u>\$ 4,616,200</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 64,687	\$ 1,166	\$ 724	\$ -	\$ 1,123	\$ 67,700
Accrued salaries and wages	269,884	-	28,861	-	8,586	307,331
Payroll taxes and withholdings	280,933	-	29,898	-	8,186	319,017
Due to other funds	16,485	-	8,721	-	350	25,556
<b>Total Liabilities</b>	<b><u>631,989</u></b>	<b><u>1,166</u></b>	<b><u>68,204</u></b>	<b><u>-</u></b>	<b><u>18,245</u></b>	<b><u>719,604</u></b>
<b>Fund Balances</b>						
Reserved	-	1,517,132	-	107,487	16,565	1,641,184
Unreserved, reported in						
General fund	2,255,412	-	-	-	-	2,255,412
<b>Total Fund Balances</b>	<b><u>2,255,412</u></b>	<b><u>1,517,132</u></b>	<b><u>-</u></b>	<b><u>107,487</u></b>	<b><u>16,565</u></b>	<b><u>3,896,596</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,887,401</u></b>	<b><u>\$ 1,518,298</u></b>	<b><u>\$ 68,204</u></b>	<b><u>\$ 107,487</u></b>	<b><u>\$ 34,810</u></b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,121,262
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:	
General obligation debt	(5,200,000)
Accrued interest on long-term debt	(44,877)
Postemployment benefits	<u>(16,768)</u>
<b>NET ASSETS</b>	<b><u>\$ 8,756,213</u></b>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

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

**For the Year Ended June 30, 2010**

	General Fund	Special Revenue Trust Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local	\$3,420,070	\$ 47,800	\$ -	\$ 611,173	\$ 208,932	\$ 4,287,975
Interdistrict	227,813	-	21,239	-	-	249,052
Intermediate	108	-	96,574	-	-	96,682
State	3,982,757	-	125,131	-	5,260	4,113,148
Federal	368,173	-	164,416	-	137,405	669,994
Other	1,840	-	-	-	-	1,840
<b>Total Revenues</b>	<u>8,000,761</u>	<u>47,800</u>	<u>407,360</u>	<u>611,173</u>	<u>351,597</u>	<u>9,418,691</u>
<b>EXPENDITURES</b>						
<b>Instruction</b>						
Regular	3,757,283	-	-	-	-	3,757,283
Special education	-	-	626,591	-	-	626,591
Vocational	294,988	-	-	-	-	294,988
Other	434,234	-	-	-	-	434,234
<b>Total instruction</b>	<u>4,486,505</u>	<u>-</u>	<u>626,591</u>	<u>-</u>	<u>-</u>	<u>5,113,096</u>
<b>Support Services</b>						
Pupil services	246,878	-	48,638	-	-	295,516
Instructional support services	205,358	-	11,137	-	-	216,495
Administration	1,060,018	2,464	-	-	-	1,062,482
Buildings and grounds	1,102,968	1,998	-	-	-	1,104,966
Pupil transportation	313,987	1,166	51,515	-	1,398	368,066
Other support services	255,691	-	12,198	-	-	267,889
<b>Debt service</b>						
Principal	-	-	-	400,000	-	400,000
Interest and fees	454	-	-	229,563	-	230,017
Food service	-	-	-	-	334,499	334,499
<b>Total support services</b>	<u>3,185,354</u>	<u>5,628</u>	<u>123,488</u>	<u>629,563</u>	<u>335,897</u>	<u>4,279,930</u>
Community services	-	-	-	-	14,264	14,264
<b>Total Expenditures</b>	<u>7,671,859</u>	<u>5,628</u>	<u>750,079</u>	<u>629,563</u>	<u>350,161</u>	<u>9,407,290</u>
Excess (deficiency) of revenues over expenditures	328,902	42,172	(342,719)	(18,390)	1,436	11,401
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	-	-	-	-	-	-
Operating transfers in	75,000	-	342,719	-	-	417,719
Operating transfers out	(342,719)	(75,000)	-	-	-	(417,719)
<b>Net Change in Fund Balances</b>	61,183	(32,828)	-	(18,390)	1,436	11,401
<b>FUND BALANCES-BEGINNING OF YEAR</b>	<u>2,194,229</u>	<u>1,549,960</u>	<u>-</u>	<u>125,877</u>	<u>15,129</u>	<u>3,885,195</u>
<b>FUND BALANCES-END OF YEAR</b>	<u>\$ 2,255,412</u>	<u>\$ 1,517,132</u>	<u>\$ -</u>	<u>\$ 107,487</u>	<u>\$ 16,565</u>	<u>\$ 3,896,596</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, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ 11,401

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	143,288	
Depreciation expense reported in the statement of activities	(451,237)	
Net book value of assets disposed	-	(307,949)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 400,000

Increase in postemployment benefit liability (16,768)

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. 5,911

CHANGE IN NET ASSETS \$ 92,595

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local	\$ 3,410,007	\$ 3,447,119	\$ 3,420,070	\$ (27,049)
Interdistrict	205,000	205,000	227,813	22,813
Intermediate	-	-	108	108
State	4,190,842	4,190,842	3,982,757	(208,085)
Federal	149,539	149,539	368,173	218,634
Other	2,500	2,500	1,840	(660)
Total Revenues	<u>7,957,888</u>	<u>7,995,000</u>	<u>8,000,761</u>	<u>5,761</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular	3,524,765	3,495,000	3,493,423	1,577
Special education	-	-	-	-
Vocational	290,483	295,000	294,988	12
Other	431,183	434,800	434,234	566
Total instruction	<u>4,246,431</u>	<u>4,224,800</u>	<u>4,222,645</u>	<u>2,155</u>
<b>Support Services</b>				
Pupil services	251,882	251,882	246,878	5,004
Instructional support services	208,786	208,786	205,358	3,428
Administration	1,091,895	1,064,392	1,060,018	4,374
Buildings and grounds	1,114,107	1,114,107	1,102,968	11,139
Pupil transportation	296,623	296,623	313,987	(17,364)
Other support services	267,963	255,200	255,517	(317)
Debt service				
Interest and fees	600	600	454	146
Total support services	<u>3,231,856</u>	<u>3,191,590</u>	<u>3,185,180</u>	<u>6,410</u>
<b>Non-program</b>				
General tuition payments	197,750	264,000	263,860	140
Other non-program	-	200	174	26
Total non-program	<u>197,750</u>	<u>264,200</u>	<u>264,034</u>	<u>166</u>
Total Expenditures	<u>7,676,037</u>	<u>7,680,590</u>	<u>7,671,859</u>	<u>8,731</u>
Excess of revenues over expenditures	281,851	314,410	328,902	14,492
<b>OTHER FINANCING USES</b>				
Transfer from other funds	75,000	75,000	75,000	-
Transfer to other funds	(385,000)	(395,000)	(342,719)	52,281
Net Change in Fund Balance	(28,149)	(5,590)	61,183	66,773
FUND BALANCES-BEGINNING OF YEAR	<u>2,194,229</u>	<u>2,194,229</u>	<u>2,194,229</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,166,080</u>	<u>\$ 2,188,639</u>	<u>\$ 2,255,412</u>	<u>\$ 66,773</u>

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interdistrict	\$ 18,350	\$ 18,350	\$ 21,239	\$ 2,889
Intermediate	85,048	85,048	96,574	11,526
State	132,000	132,000	125,131	(6,869)
Federal	154,026	154,026	164,416	10,390
Total Revenues	<u>389,424</u>	<u>389,424</u>	<u>407,360</u>	<u>17,936</u>
<b>EXPENDITURES</b>				
Instruction				
Special education	651,039	651,039	626,591	24,448
Total instruction	<u>651,039</u>	<u>651,039</u>	<u>626,591</u>	<u>24,448</u>
Support Services				
Pupil services	59,760	59,760	48,638	11,122
Instructional support services	355	355	11,137	(10,782)
Pupil transportation	45,870	45,870	51,515	(5,645)
Other support services	12,400	12,400	12,198	202
Total support services	<u>118,385</u>	<u>118,385</u>	<u>123,488</u>	<u>(5,103)</u>
Non-program				
Other non-program	-	-	-	-
Total Expenditures	<u>769,424</u>	<u>769,424</u>	<u>750,079</u>	<u>19,345</u>
Excess (deficiency) of revenues over expenditures	(380,000)	(380,000)	(342,719)	37,281
<b>OTHER FINANCING SOURCES</b>				
Transfer from general fund	380,000	380,000	342,719	(37,281)
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 accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

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	Private Purpose Trust	Employee Benefit Trust	Agency
<b>ASSETS</b>			
Cash and investments	\$ 60,235	\$ 864,237	\$ 97,964
Interest receivable	462	-	-
Total Assets	<u>\$ 60,697</u>	<u>\$ 864,237</u>	<u>\$ 97,964</u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ -	\$ 97,964
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 97,964</u>
<b>NET ASSETS</b>	<u>\$ 60,697</u>	<u>\$ 864,237</u>	

See accompanying notes to the financial statements.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2010**

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
<b>ADDITIONS</b>		
Contributions	\$ 12,550	\$ 312,723
Investment earnings	<u>1,204</u>	<u>14,217</u>
Total additions	<u>13,754</u>	<u>326,940</u>
<b>DEDUCTIONS</b>		
Benefits	<u>1,250</u>	<u>158,884</u>
<b>Change in Net Assets</b>	12,504	168,056
NET ASSETS-BEGINNING OF YEAR	<u>48,193</u>	<u>696,181</u>
NET ASSETS-END OF YEAR	<u><u>\$ 60,697</u></u>	<u><u>\$ 864,237</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

INDEX TO NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**INDEX TO NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

---

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

**A. REPORTING ENTITY**

The District is organized as a common school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of ten taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

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

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

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

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

**C. BASIS OF PRESENTATION**

***District-wide Financial Statements***

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

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

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

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

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

***Fund Financial Statements***

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

**GOVERNMENTAL ACTIVITIES**

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

*General Fund*

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds*

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

*Debt Service Funds*

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

*Capital Projects Funds*

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

*Permanent Funds*

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

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

*Private-Purpose Trust Funds*

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

*Agency Funds*

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

***GOVERNMENTAL ACTIVITIES (continued)***

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

***Major Funds***

The District reports the following major governmental funds:

- General Fund
- Special Revenue Trust Fund
- Special Education Fund
- Debt Service Fund

***Non-major Funds***

The District reports the following non-major funds:

- Special Revenue Funds –
  - Food Service Fund
  - Community Service Fund

***Fiduciary Funds***

The District reports the following fiduciary funds:

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

***D. BASIS OF ACCOUNTING***

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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

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

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

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

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

Property tax calendar – 2009 tax roll:

Lien date and levy date	October, 2009
Tax bills mailed	December, 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale 2009 delinquent real estate taxes	October, 2013

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

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

---

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

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

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

***E. MEASUREMENT FOCUS***

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

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

***F. INVENTORIES***

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

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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**G. LONG-TERM OBLIGATIONS (continued)**

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

***Fund Financial Statements***

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

**I. INTERFUND RECEIVABLES AND PAYABLES**

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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***J. BUDGETS***

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

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

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

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

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

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

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

Vacation days are not carried over from year to year.

Accumulated benefits are recorded as an expenditure in the year used. The estimated liability for employee's rights to receive compensation for possible future absences consists of \$1,218,844 for personal days and unused sick leave.

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

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

***N. OTHER ASSETS***

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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**O. CLAIMS AND JUDGMENTS**

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

**P. INTERFUND TRANSACTIONS**

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

**Q. EQUITY CLASSIFICATIONS**

***District-Wide Statements***

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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**Q. EQUITY CLASSIFICATIONS (continued)**

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation or is legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

**R. USE OF ESTIMATES**

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

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NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits	\$ 2,814,268
Investments	<u>1,274,137</u>
Total Deposits and Investments	<u>\$ 4,088,405</u>
Per statement of net assets - deposits and investments	\$ 3,065,969
Per statement of net assets - fiduciary funds	<u>1,022,436</u>
Total	<u>\$ 4,088,405</u>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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**Deposits**

At year end, the carrying amount of the District's deposits was \$2,814,268 and the bank balance was \$2,913,410. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, 1,686,288 was covered by federal depository insurance and collateral and \$1,227,122 was uninsured and uncollateralized.

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

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

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

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.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

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

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.

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	\$ 824,137	\$ 824,137	\$ -	\$ -	\$ -
U.S. Government Securities	450,000	50,000	300,000	50,000	50,000
Totals	\$1,274,137	\$ 874,137	\$ 300,000	\$ 50,000	\$ 50,000

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	\$ 824,137	Not Rated
U.S. Government Securities	450,000	Not Rated
Totals	\$1,274,137	

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

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

***Determining Fair Value***

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

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

***Investment Pool Information***

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

***Income Allocation***

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

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
Capital assets not being depreciated				
Sites	\$ 190,331	\$ -	\$ -	\$ 190,331
Capital assets being depreciated				
Site improvements	215,933	-	-	215,933
Buildings and improvements	13,504,030	-	-	13,504,030
Furniture and equipment	2,229,190	143,288	(36,976)	2,335,502
Total Capital Assets Being Depreciated	15,949,153	143,288	(36,976)	16,055,465
Less: Accumulated depreciation for				
Site improvements	(97,539)	(9,633)	-	(107,172)
Buildings and improvements	(4,041,817)	(275,110)	-	(4,316,927)
Furniture and equipment	(1,570,917)	(166,494)	36,976	(1,700,435)
Total Accumulated Depreciation	(5,710,273)	(451,237)	36,976	(6,124,534)
Net Capital Assets	\$10,429,211	\$ (307,949)	\$ -	\$ 10,121,262

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 3 – CAPITAL ASSETS**

Depreciation expense was charged to functions as follows:

Instruction	
Regular	20,535
Special education	3,960
Vocational	3,516
Other	3,160
Support services	
Pupil services	747
Instructional support services	1,787
Administration	20,959
Buildings and grounds	17,826
Pupil transportation	56,252
Other support services	34,686
Food service	3,066
Unallocated	<u>284,743</u>
 Total Depreciation Expense	 <u><u>\$ 451,237</u></u>

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

	General Fund	Special Education Fund
Instruction		
Regular	\$ 19,384	\$ 5,069
Administration	2,464	-
Buildings and grounds	3,883	-
Pupil transportation	72,489	-
Other support services	<u>39,999</u>	<u>-</u>
 Totals	 <u><u>\$ 138,219</u></u>	 <u><u>\$ 5,069</u></u>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

**NOTE 4 – LONG-TERM OBLIGATIONS**

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

	<u>Balance 7/1/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2010</u>	<u>Amounts Due Within One Year</u>
Bonds, Notes and Loans Payable					
General obligation debt	\$5,600,000	\$ -	\$ 400,000	\$ 5,200,000	\$ 425,000
Postemployment benefits	-	16,768	-	16,768	16,768
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Long-Term Liabilities	<u>\$5,600,000</u>	<u>\$ 16,768</u>	<u>\$ 400,000</u>	<u>\$ 5,216,768</u>	<u>\$ 441,768</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>Balance Outstanding 6/30/2010</u>
General Obligation Debt:					
Refunding Bonds	10/7/2002	4/1/2020	3.0-4.3%	\$ 5,550,000	\$5,200,000
					<u>5,200,000</u>
Total General Obligation Debt					<u>5,200,000</u>
Total Governmental Activities Long-Term Obligations					<u>\$5,200,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 425,000	\$ 205,462	\$ 630,462
2012	445,000	189,524	634,524
2013	465,000	172,838	637,838
2014	480,000	156,098	636,098
2015	505,000	138,338	643,338
2016-2020	<u>2,880,000</u>	<u>372,248</u>	<u>3,252,248</u>
Totals	<u>\$5,200,000</u>	<u>\$ 1,234,508</u>	<u>\$6,434,508</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**NOTE 4 – LONG-TERM OBLIGATIONS**

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed ten percent of the equalized value of taxable property within the District's jurisdiction. The debt limit at year-end was \$41,791,410. Total general obligation debt outstanding at year-end was \$5,200,000.

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**NOTE 5 - LEASE DISCLOSURES**

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**LESSEE - CAPITAL LEASES**

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

**LESSEE - OPERATING LEASES**

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

<u>Year Ending June 30</u>	
2011	\$ 12,161
2012	12,161
2013	12,161
2014	11,148
Total	<u>\$ 47,631</u>

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

**LESSOR - CAPITAL LEASES**

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

**LESSOR - OPERATING LEASES**

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

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

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All eligible District employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year (440 hours for teachers and 440 hours for Educational Support Staff effective July 1, 2009) are eligible to participate in the System. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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The payroll for District employees covered by the System for the year ended June 30, 2010 was \$4,056,514, the employer's total payroll was \$4,399,522. The total required contribution for the year ended June 30, 2010 was \$436,756. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ended June 30, 2009 and 2008 were \$415,741 and \$406,261, respectively, equal to the required contributions for each year.

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

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

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**NOTE 7 – GOVERNMENTAL ACTIVITIES NET ASSETS**

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

***Governmental Activities***

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 10,121,262
Less: related long-term debt outstanding	(5,200,000)
Total Invested in Capital Assets	<u>4,921,262</u>
Restricted	
Debt service	107,487
Special revenue trust	1,517,132
Food service program	7,416
Community service program	9,149
Total Restricted	<u>1,641,184</u>
Unrestricted	<u>2,193,767</u>
Total Governmental Activities Net Assets	<u>\$ 8,756,213</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**NOTE 8 – GOVERNMENTAL FUND BALANCES**

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

Reserved	
Major Funds	
Debt Service fund	\$ 107,487
Special Revenue Trust fund	1,517,132
Nonmajor Funds	
Food Service fund	7,416
Community Service fund	9,149
Total Reserved Fund Balances	<u>1,641,184</u>
Unreserved	
Major Funds	
General Fund	
Designated	
Working capital	2,255,412
Total Unreserved Fund Balances	<u>2,255,412</u>
Total Governmental Fund Balances	<u>\$ 3,896,596</u>

An operating transfer of \$342,719 was made from the general fund to the special education fund to cover an operating deficit in that fund. An operating transfer of \$75,000 was made from the special revenue trust fund to the general fund for operating expenses.

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

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

Capital assets, net of accumulated depreciation	<u>\$ 10,121,262</u>
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net assets.

Bonds, notes and loan payable	\$ 5,200,000
Postemployment benefits	16,768
Accrued interest	<u>44,877</u>
Combined Adjustment	<u>\$ 5,261,645</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

Accrued interest	
Beginning	\$ 50,788
Ending	<u>(44,877)</u>
Decrease	<u>\$ 5,911</u>

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

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

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Pupil transportation	\$ 17,364
Other support services	317
Special Education Fund:	
Instructional support services	10,782
Pupil transportation	5,645

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**NOTE 12 – RISK MANAGEMENT**

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

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

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

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**NOTE 15 - POST EMPLOYMENT BENEFITS**

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

For administrators who meet the eligible criteria previously described, medical, dental and life insurance coverage are 100% paid until the participant reaches eligibility for Medicare benefits.

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

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

The actuarial method and assumptions used were as follows:

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

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

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

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

**Measurement Date:** June 1, 2008

**Economic Assumptions**

**Investment Return (Discount Rate):** 4% per annum, based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

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**Economic Assumptions** (continued)

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

**Healthcare Cost Trend Rate:**

- 2008 - 6.8%
- 2009 - 7%
- 2010 - 6.5%
- 2011 - 6.3%
- 2012 - 6.3%
- 2013 - 6.3%
- 2014 - 6%
- 2015 - 6%
- 2016 - 5.9%
- Future - 5.8%

**Salary Increases:**

- 3% per annum

**Annual Per-capita Claims Costs:** Health care cost trend rates based on National Health Care Expenditure Projections published January 2008 by the Office of the Actuary at the Centers for Medicare and Medicaid Services.

**Demographic Assumptions**

**Mortality Rates:** rates used by WRS based on WRS experience to value pensions for Public School employees.

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

**Withdrawal Rates:** rates used by WRS based on WRS experience to value pensions for Public School employees, with a five year select period.

**Disability Rates:** rates used by WRS based on WRS experience to value pensions for Public School employees.

Withdrawal rates during the selected period:

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

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

The number of plan participants as of the measurement date was 73. The actuarial accrued liability was \$2,775,751, the actual contribution was \$267,231 and the annual required contribution is \$283,999. The assets available are \$864,237, the balance in the District's Employee Benefit Trust Fund.

**Annual OPEB Cost and Net OPEB Obligation**

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

Normal cost	\$ 150,467
30 year amortization of unfunded accrued liability	<u>133,532</u>
Annual required contribution	283,999
Contributions made	<u>(267,231)</u>
Increase in OPEB liability	16,768
Net OPEB liability - beginning of year	<u>-</u>
Net OPEB liability - end of year	<u><u>\$ 16,768</u></u>

**Trend Information**

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

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/2010	\$ 283,999	\$ 283,999	\$ 267,231	94.1%	\$ 16,768

**Funded Status and Funding Progress**

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

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

This is the first year of implementation of GASB's No. 43 and 45, therefore, comparative data for prior years is not available.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 350	\$ 16,485
Special Education Fund	-	8,721
Food Service Fund	25,206	-
Community Service Fund	-	350
Totals	<u>\$ 25,556</u>	<u>\$ 25,556</u>

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

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**NOTE 17 - SUBSEQUENT EVENTS**

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Management has evaluated subsequent events through November 3, 2010, the date the financial statements were available to be issued.

**SCHOOL DISTRICT OF IOLA SCANDINAVIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010**

	Food Service	Community Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 9,604	\$ 9,604
Accounts receivable	-	-	-
Due from other funds	25,206	-	25,206
<b>TOTAL ASSETS</b>	<b>\$ 25,206</b>	<b>\$ 9,604</b>	<b>\$ 34,810</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,018	\$ 105	\$ 1,123
Accrued salaries and wages	8,586	-	8,586
Payroll taxes and withholdings	8,186	-	8,186
Due to other funds	-	350	350
<b>Total Liabilities</b>	<b>17,790</b>	<b>455</b>	<b>18,245</b>
<b>Fund Balances</b>			
Reserved	7,416	9,149	16,565
<b>Total Fund Balances</b>	<b>7,416</b>	<b>9,149</b>	<b>16,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 25,206</b>	<b>\$ 9,604</b>	<b>\$ 34,810</b>

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year ended June 30, 2010**

	Food Service	Community Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local	\$ 191,722	\$ 17,210	\$ 208,932
State	5,260	-	5,260
Federal	137,405	-	137,405
Total Revenues	<u>334,387</u>	<u>17,210</u>	<u>351,597</u>
 Support Services			
Pupil transportation	-	1,398	1,398
Food service	334,499	-	334,499
Total support services	<u>334,499</u>	<u>1,398</u>	<u>335,897</u>
 Community services	-	14,264	14,264
 Total Expenditures	<u>334,499</u>	<u>15,662</u>	<u>350,161</u>
 Excess (deficiency) of revenues over expenditures	(112)	1,548	1,436
 <b>OTHER FINANCING SOURCES</b>			
Operating transfers in (out)	-	-	-
 Net Change in Fund Balance	(112)	1,548	1,436
 FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>7,528</u>	<u>7,601</u>	<u>15,129</u>
 FUND BALANCES-END OF YEAR	<u>\$ 7,416</u>	<u>\$ 9,149</u>	<u>\$ 16,565</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -  
STUDENT ORGANIZATIONS' FUNDS  
For the Year Ended June 30, 2010

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	<u>Balance</u> <u>07/01/2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/2010</u>
Assets - Cash and investments	\$ 84,237	\$ 219,634	\$ 205,907	\$ 97,964
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 84,237</u>	<u>\$ 219,634</u>	<u>\$ 205,907</u>	<u>\$ 97,964</u>
Liabilities - Due to student organizations	<u>\$ 84,237</u>	<u>\$ 219,634</u>	<u>\$ 205,907</u>	<u>\$ 97,964</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2010

Federal Agency/ Pass-Through Agency/ Program Title	CFDA Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received	Accrued (Deferred) Ending Balance		
U.S. DEPARTMENT OF EDUCATION						
State of Wisconsin-Department of Public Instruction						
Title I	84.010	\$ (12,105)	\$ 62,880	\$ 22,964	\$ 73,739	\$ 73,739
Title I ARRA	84.389	-	46,932	-	46,932	46,932
Title II-A	84.367	(6,685)	34,168	-	27,483	27,483
Title II-D	84.318	(302)	955	-	653	653
Title II-D ARRA	84.386	-	1,561	-	1,561	1,561
Title IV-A	84.186	(1,773)	2,672	814	1,713	1,713
ARRA-Fiscal Stabilization Fund	84.394	-	216,092	-	216,092	216,092
IDEA ARRA	84.391	-	139,317	14,709	154,026	154,026
IDEA Preschool ARRA	84.392	-	7,282	-	7,282	7,282
CESA 5						
IDEA	84.027	(19,641)	37,277	38,699	56,335	56,335
Minigrant		-	108	-	108	108
U.S. DEPT OF HEALTH & HUMAN SERVICES						
Direct-medical assistance	93.778	-	3,108	-	3,108	3,108
Cesa 5-medical assistance	93.778	-	18,842	-	18,842	18,842
U.S. DEPARTMENT OF AGRICULTURE						
State of Wisconsin-Department of Public Instruction						
Food Distribution - Commodities	10.555	-	24,829	-	24,829	24,829
National Breakfast Program	10.553	-	10,844	-	10,844	10,844
National School Lunch Program	10.555	-	101,732	-	101,732	101,732
TOTAL FEDERAL AWARDS		\$ (40,506)	\$ 708,599	\$ 77,186	\$ 745,279	\$ 745,279

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, 2010**

State Agency/ Pass-Through Agency/ Program Title	State ID Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received (Returned)	Accrued (Deferred) Ending Balance		
<b>DEPARTMENT OF PUBLIC INSTRUCTION</b>						
Entitlement Programs						
Handicapped Pupils and School Age Parents	255.101	\$ -	\$ 125,131	\$ -	\$ 125,131	\$ 125,131
Participant in Package Programs:						
CESA # 5		-	19,970	-	19,970	19,970
At Waupaca Schools		-	14,796	-	14,796	14,796
Total Handicapped Program		-	159,897	-	159,897	159,897
School Lunch Aid Program	255.102	-	4,089	-	4,089	4,089
Common School Fund Library Aid	255.103	-	33,588	-	33,588	33,588
General Equalization	255.201	(76,405)	3,873,399	69,217	3,866,211	3,866,211
Pupil Transportation	255.107	-	27,865	-	27,865	27,865
School Breakfast Aid Program	255.344	-	1,171	-	1,171	1,171
Mentoring Initial Educators	255.355	-	1,125	-	1,125	1,125
Payment In Lieu of Taxes		-	48,229	-	48,229	48,229
Computer Aid		(6,014)	6,014	5,739	5,739	5,739
Total Wisconsin Department of Public Instruction		(82,419)	4,155,377	74,956	4,147,914	4,147,914
<b>TOTAL STATE AWARDS</b>		<b>\$ (82,419)</b>	<b>\$ 4,155,377</b>	<b>\$ 74,956</b>	<b>\$ 4,147,914</b>	<b>\$ 4,147,914</b>

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, 2010**

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**NOTE 1 - BASIS OF PRESENTATION**

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

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

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2009-2010 eligible costs under the State Special Education Program are \$383,429.

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**NOTE 3 - FOOD DISTRIBUTION**

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



## ACCOUNTING WORKSHOP, SC

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Ann Kropp, CPA, CMA  
Jeffrey Kropp, CPA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies previously referenced, we consider item 10-1 to be a material weakness.

#### Compliance and Other Matters

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

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

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

*Accounting Workshop SC*

Accounting Workshop, SC  
November 3, 2010



## ACCOUNTING WORKSHOP, SC

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Jeffrey Kropp, CPA

### Independent Auditor's Report On Compliance With Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance With OMB Circular A-133

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

#### Compliance

We have audited the compliance of the School District of Iola-Scandinavia ("District") with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended June 30, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 and state guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2010.

## Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 10-1 and 10-2 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-1 to be a material weakness.

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

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

*Accounting Workshop SC.*  
Accounting Workshop, SC  
November 3, 2010

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2010**

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**Section I - Summary of Audit Results**

*Financial Statements*

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

*Federal Awards*

Internal control over financial reporting: Material weakness identified?	<u>    x    </u> yes	<u>          </u> no
Significant deficiency(ies) identified considered to be material weaknesses?	<u>    x    </u> yes	<u>          </u> none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	<u>    x    </u> yes	<u>          </u> no

Identification of major federal programs

<u>          CFDA Number          </u>	<u>          Name of Federal Program or Cluster          </u>
84.394	ARRA-State Fiscal Stabilization Fund
84.027, 84.391, 84.392	IDEA

Dollar threshold used to distinguish Type A and Type B Programs	\$ 300,000	
Auditee qualified as a low risk auditee?	<u>          </u> yes	<u>    x    </u> no

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2010**

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*State Awards*

Internal control over financial reporting:

Material weakness identified?     x     yes            no

Significant deficiency(ies) identified considered to be material weaknesses?     x     yes            no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines?     x     yes            no

Identification of major state programs

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

**Section II - Financial Statement Findings**

10-1 Segregation of Accounting Duties

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

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

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

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

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

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

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2010**

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**Section II - Financial Statement Findings (continued)**

10-2 Preparation of Financial Statements

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

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

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

Effect: Undetected errors or irregularities could occur.

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

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

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

See item 10-1 under financial statement findings.

**SCHOOL DISTRICT OF IOLA-SCANDINAVIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2010**

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DEPARTMENT OF EDUCATION

Finding 09-1: Segregation of Accounting Duties

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

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

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



## School District of Iola-Scandinavia

Joseph C. Price  
District Administrator  
715-445-2411

Sara L. Anderson  
Middle/High School Principal  
715-445-2411

Tess Lecy-Wojcik  
Elementary Principal  
715-445-2411

School Board  
Tom Opperman, President  
Randy Frye, Vice-President  
Colleen Sykes, Clerk  
William Peterson, Treasurer  
Dan Loken, Director  
Charlie Wasrud, Director  
Kelton Wilhite, Director

450 Division Street  
IOLA, WI 54945

November 1, 2010

US Department of Education:

The School District of Iola-Scandinavia respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:  
Accounting Workshop, SC  
5001 Heffron Street  
Stevens Point, WI 54481

Audit period: year ended June 30, 2010.

The findings from the June 30, 2010, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS-FINANCIAL STATEMENT AUDIT MATERIAL WEAKNESS

#### 10-1. Segregation of Duties

Recommendation: Monthly financial activity should be reviewed by another member of management for reasonableness.

Action Taken: We have designated Superintendent Joseph Price to review selected financial information monthly. We implemented an electronic approval process for requisitions to ensure authorized purchases.

### SIGNIFICANT DEFICIENCY

#### 10-2. Financial Statement Preparation

Recommendation: Management should continue using external sources for preparation of the financial statements and note disclosures.

Action Taken: We have engaged the audit organization to prepare the financial statements and note disclosures.

If the US Department of Education has questions regarding this plan, please contact Jon Novak, Business Manager at 715-445-2411 or [novaki@iola.k12.wi.us](mailto:novaki@iola.k12.wi.us).

Sincerely yours,

Jon R. Novak  
Business Manager