

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

IOLA, WISCONSIN

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

AS OF JUNE 30, 2013

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

TABLE OF CONTENTS
June 30, 2013

| | Page Number |
|--|----------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-13 |
| Basic Financial Statements | |
| Statement of Net Postion | 14 |
| Statement of Activities | 15 |
| Balance Sheet - Governmental Funds | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Special Education Fund | 20 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 21 |
| Statement of Changes in Fiduciary Net Position - Fiduciary Funds | 22 |
| Notes to Financial Statements | 23-49 |
| Supplemental Information | |
| Combining Balance Sheet - General Fund | 50 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund | 51 |
| Combining Balance Sheet - Nonmajor Governmental Funds | 52 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 53 |
| Schedule of Changes in Assets and Liabilities - Student Organizations' Funds | 54 |
| Schedule of Expenditures of Federal Awards | 55 |
| Schedule of Expenditures of State Awards | 56 |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

TABLE OF CONTENTS
June 30, 2013

| | Page Number |
|--|----------------|
| Notes to the Schedule of Expenditures of Federal and State Awards | 57 |
| 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 | 58-59 |
| Independent Auditor's Report on Compliance For Each Major Federal and State Program and On Internal Control Over Compliance Required By OMB Circular A-133 and State Single Audit Guidelines | 60-61 |
| Schedule of Findings and Questioned Costs | 62-64 |
| Summary Schedule of Prior Audit Findings | 65 |

ACCOUNTING WORKSHOP, SC
CERTIFIED PUBLIC ACCOUNTANTS
5001 Heffron Street
Stevens Point, WI 54481
Tel (715) 341-2911
Fax (715) 341-5737

Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the general and special education funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Workshop SC

Accounting Workshop, SC
October 11, 2013

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

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> |
|--------------------------------|-------------------|-------------------------------|
| Charlie Wasrud, President | Self-Employed | April, 2015 |
| Robert Fredy, Treasurer | Accountant | April, 2014 |
| Kristen Hoyord, Vice President | Registered Nurse | April, 2015 |
| Michael Koles, Clerk | Educator | April, 2016 |
| Bruce Beyersdorf, Board Member | Laborer | April, 2014 |
| Jeffrey Oppor, Board Member | Laborer | April, 2014 |
| Kenneth Wavruk, Board Member | Laborer | April, 2016 |

Administration

The Board is empowered to employ a District Administrator to conduct the affairs and programs of the District. The District Administrator is Dr. David Dyb. In addition, the District employs a Business Manager, the position is currently vacant. 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 | Facilities Project Advisor |
| Gary Trzebiatowski | 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, 2013

Location

The School District of Iola-Scandinavia is located in central Wisconsin, approximately 20 mile 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 4 year old 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 150 people. Enrollment for the 2012-2013 school year is 735 students. For further information, the District's Website is 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 \$293,830. The assets of the school district exceeded liabilities at the close of the fiscal year by \$9.5M (net position). Of this amount, \$5.4M represents amounts invested in capital assets, net of related debt and \$1.7M is restricted for encumbrances, debt retirement, special trust fund purposes, food and community service programs. This results in net unrestricted assets of \$2.4M.
- The General Fund (Fund 10) fund balance increased by \$62,379. The original budget was adopted with a deficit of \$2,492. The original budget was amended during the year.
- Financial activity resulted in a surplus of \$41,903 in the Food Service Fund (Fund 50) and a deficit of \$1,912 in the Community Service Fund (Fund 80).
- Capital assets have been reported at \$16.5M less depreciation of \$7.3M for a net capital asset value of \$9.2M. (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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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 Position 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 Position 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 Position 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 Position.
- 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 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, 2013

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. <u>The District does not report any program for this designation.</u> | 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 position, and Statement of activities. | Balance sheet, and Statement of revenues, expenditures and changes in fund balance. | Statement of net position, and Statement of revenues, expenses and changes in net position, and Statement of cash flows. | Statement of fiduciary net position, and Statement of changes in fiduciary net position. |
| 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, 2013

Table #2

| Condensed Statement of Net Position | | | | |
|--|----------------------|----------------------|--------------------------|---------------------|
| | 2013 | 2012 | Dollar Change | % Change |
| Assets | | | | |
| Current Assets | \$ 4,869,700 | \$ 4,901,568 | \$ (31,868) | (0.7) |
| Capital Assets | 9,225,411 | 9,473,240 | (247,829) | (2.6) |
| Total Assets | \$ 14,095,111 | \$ 14,374,808 | \$ (279,697) | (1.9) |
| Liabilities | | | | |
| Current Liabilities | \$ 1,273,120 | \$ 1,331,647 | \$ (58,527) | (4.4) |
| Non-Current Liabilities | 3,310,000 | 3,825,000 | (515,000) | (13.5) |
| Total Liabilities | \$ 4,583,120 | \$ 5,156,647 | \$ (573,527) | (11.1) |
| Net Position | | | | |
| Net Investment in | | | | |
| Capital Assets | \$ 5,400,411 | \$ 5,133,240 | \$ 267,171 | 5.2 |
| Restricted | 1,658,537 | 1,650,081 | 8,456 | 0.5 |
| Unrestricted | 2,453,043 | 2,434,840 | 18,203 | 0.7 |
| Total Net Position | \$ 9,511,991 | \$ 9,218,161 | \$ 293,830 | 3.2 |

Statement of Net Position: (Table #2)

As of year end, the District reported total assets of \$14.1M and total liabilities of \$4.6M. Net position amount to \$9.5M, \$5.4M 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, 2013

Table #3

| Changes in Net Position from Operating Results For Governmental Activities | | | | | |
|---|---------------------------|----------|---------------------------|----------|---------------------|
| Revenues: Program | Actual 2012-13 | % | Actual 2011-12 | % | % Change |
| Charges for Services | \$ 666,277 | 7.3 | \$ 656,040 | 7.1 | 1.6 |
| Operating Grants & Cont. | 780,528 | 8.6 | 904,611 | 9.8 | (13.7) |
| General Property & Other Taxes | 3,938,259 | 43.2 | 3,841,933 | 41.7 | 2.5 |
| General Fed & State Aid | 3,580,580 | 39.3 | 3,711,545 | 40.3 | (3.5) |
| Other | 145,751 | 1.6 | 90,145 | 1.1 | 61.7 |
| Total Revenue | <u>9,111,395</u> | 100.0 | <u>9,204,274</u> | 100.0 | (1.0) |
| Expenses: | | | | | |
| Instruction | 4,806,867 | 54.5 | 4,810,552 | 54.1 | (0.1) |
| Pupil & Instr. Ser. | 550,837 | 6.2 | 561,378 | 6.3 | (1.9) |
| Administration | 808,190 | 9.2 | 999,894 | 11.3 | (19.2) |
| Building and Grounds | 980,123 | 11.1 | 1,048,168 | 11.8 | (6.5) |
| Pupil Transportation | 339,504 | 3.9 | 322,344 | 3.6 | 5.3 |
| Other Support Services | 668,444 | 7.6 | 593,457 | 6.7 | 12.6 |
| Interest and Fees | 58,332 | 0.7 | 227,566 | 2.6 | (74.4) |
| Food Service | 317,186 | 3.6 | 309,251 | 3.5 | 2.6 |
| Community Service | 288,082 | 3.2 | 11,890 | 0.1 | 2,322.9 |
| Total Expense | <u>8,817,565</u> | 100.0 | <u>8,884,500</u> | 100.0 | (0.8) |
| Change in Net Position | <u>\$ 293,830</u> | | <u>\$ 319,774</u> | | |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

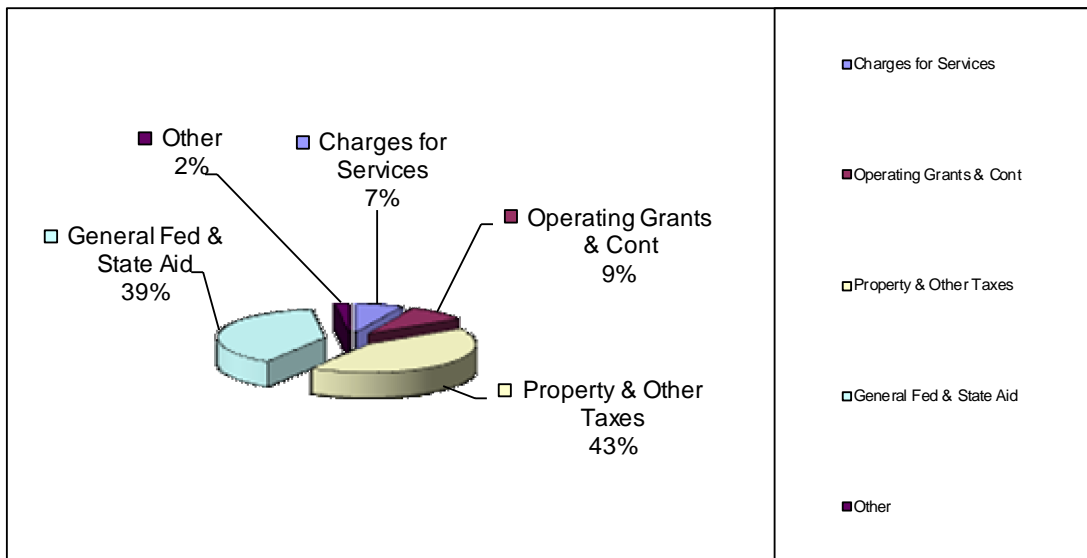
Revenue (Table #3)

- For the year, the District received \$9.1M in revenue. 43.2% of this total came from local school property tax and prior year tax backs. 39.3% of the total came in the form of federal and state aid. The District receives approximately 15.9% 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 \$666,277 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 \$780,528. 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 12-13



SCHOOL DISTRICT OF IOLA-SCANDINAVIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

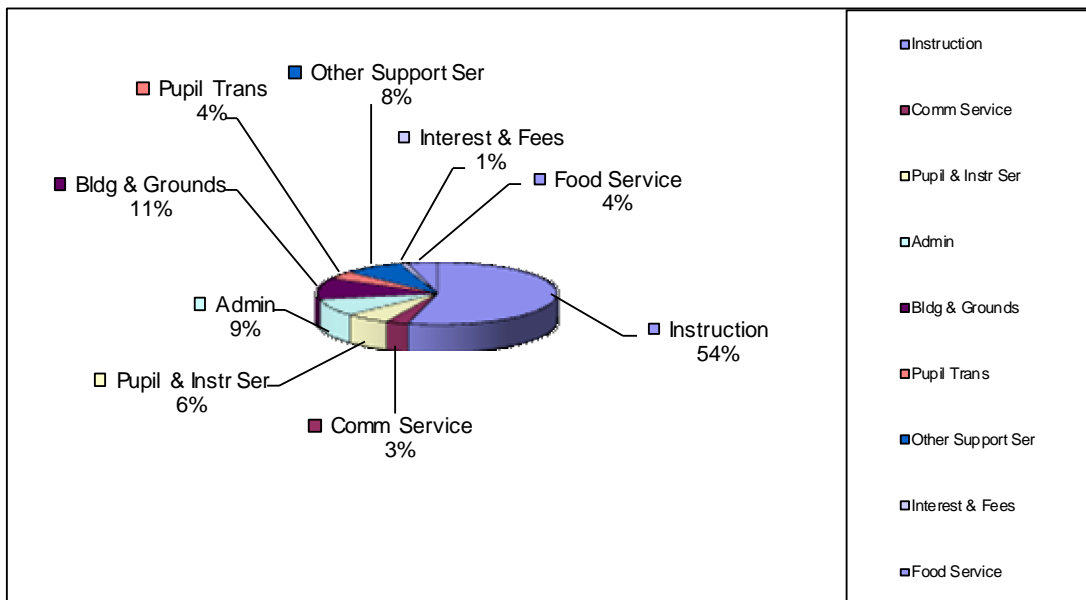
Expenses (Table #3)

- For the year, the District's total expenditure amount was \$8.8M. 60.7% 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 31.8%. These costs included student transportation, individual building budgets, district maintenance and school business insurance. Community service programs expenses were 3.2%. The Food Service Program represents 3.6% and costs for debt service represents approximately 0.7% of total expenditures.

Chart #2 - Table #3

This Chart illustrates the Distribution of costs by Function.

Expenses by Function - FY 12-13



SCHOOL DISTRICT OF IOLA-SCANDINAVIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Table #4

| Net Cost of Governmental Activities | | | | |
|--|-------------------------------|---------------------|-----------------------------|---------------------|
| | Total Cost of Services | | Net Cost of Services | |
| | 2013 | 2012 | 2013 | 2012 |
| Instruction | \$ 4,806,867 | \$ 4,810,552 | \$ 3,980,990 | \$ 3,840,115 |
| Pupil & Instr. Services | 550,837 | 561,378 | 506,806 | 528,392 |
| General & Building Adm. Serv. | 1,788,313 | 2,048,062 | 1,787,285 | 1,875,897 |
| Business and Central Services | 1,007,948 | 915,801 | 976,827 | 877,565 |
| Food Service Program | 317,186 | 321,141 | (42,698) | (25,686) |
| Interest/fees, other | 346,414 | 227,566 | 161,550 | 227,566 |
| Total | <u>\$ 8,817,565</u> | <u>\$ 8,884,500</u> | <u>\$ 7,370,760</u> | <u>\$ 7,323,849</u> |

* Total cost of all governmental activities was \$8.8M. (Table #4)

* The net cost of governmental activities (\$7.4M) was financed by general revenues, which are primarily made up of property taxes (\$3.9M) and general federal and state aid (\$3.6M). Miscellaneous and investment earnings accounted for \$145,751. In addition, District operations were subsidized by \$1,446,805 which was collected through direct fees and contributions/grants.

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

Fund 10 original budget was approved with a deficit of \$2,492 and adjusted to a deficit of \$5,039. The actual results for the year show a surplus of \$62,379.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Fund Balances:

- The District shows a total for all fund balances of \$4.1M as of year end. (See Note #8).
- \$2.5M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short term operations. The Fund 10 fund balance is 32% 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 a nonspendable endowment and the investment earnings is restricted for maintenance and operation of the aquatic/fitness center.
- \$42,387 in the Debt Service Fund (Fund 39) is restricted to make future debt payments on long-term debt.
- \$96,168 in the food service fund and \$8,014 in the community service funds are restricted 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 \$3.8M in Long-Term Governmental Obligations. The debt is related to building projects, representing a significant investment in the District's capital infrastructure.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Decisions and Developments that will Impact the Future of the District

- The State of Wisconsin has a history of budget deficits. Since the state budget funds a significant portion of the cost of K-12 education, local school districts, including Iola-Scandinavia, are concerned that the future funding level may be negatively impacted.
- Fuel prices have fluctuated dramatically in the United States. If this situation continues, utility and transportation costs of the District may exceed budget amounts.
- The State of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payment based on the number of students who transfer. The District has actively encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. This year the number of non-resident open enrollment pupils attending Iola-Scandinavia Schools exceeded the number of resident pupils attending other districts. It is important for the District to maintain a quality instructional program and attractive physical plant to maintain a competitive advantage for open enrollment pupils.
- One of the most important variables in the District's financial future is the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing annually. If rate increases continue, the cost of health benefits will have an impact on the instructional services provided in the District. Based on current trends, officials expect an increase next year. Administration has been implementing various employee cost sharing measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge.
- Beginning in FY10, the District recognizes a liability in the statement of net assets for any post-employment benefits owed to District employees. During FY 2005, the District established a pension benefit trust for funding purposes and engaged an actuary to compute the liability based on the employee census. The District to date has funded \$679,848. Governmental accounting standards require periodic re-valuations of the liability based on a changing employee census. The benefit was terminated as of July 1, 2012 for any future retirees by the school board. District management believes the liability is fully funded. 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 Dr. David Dyb, District Administrator, Iola-Scandinavia Schools, 450 Division Street, Iola, WI 54945, (715) 445-2411.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF NET POSITON

June 30, 2013

| ASSETS | |
|---|---------------------|
| CURRENT ASSETS | |
| Cash and investments | \$ 3,323,694 |
| Taxes receivable | 1,248,809 |
| Interest receivable | 7,044 |
| Due from other funds | 32,690 |
| Due from other governments | 212,027 |
| Other current assets | 45,436 |
| Total Current Assets | <u>4,869,700</u> |
| NONCURRENT ASSETS | |
| Capital assets | 16,509,674 |
| Less: accumulated depreciation | <u>7,284,263</u> |
| Net Capital Assets | <u>9,225,411</u> |
| Total Assets | <u>14,095,111</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | 758,120 |
| Current portion of long-term obligations | <u>515,000</u> |
| Total Current Liabilities | <u>1,273,120</u> |
| NONCURRENT LIABILITIES | |
| Noncurrent portion of long-term obligations | <u>3,310,000</u> |
| Total Liabilities | <u>4,583,120</u> |
| NET POSITION | |
| Net investment in capital assets | 5,400,411 |
| Restricted | 1,613,601 |
| Unrestricted | <u>2,497,979</u> |
| Total Net Position | <u>\$ 9,511,991</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue & Changes In Net Position |
|---|--------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants & Contributions | |
| Instruction | | | | |
| Regular | \$ 3,439,083 | \$ 263,137 | \$ 132,686 | \$ (3,043,260) |
| Vocational | 248,009 | 4,800 | - | (243,209) |
| Special education | 713,548 | 1,276 | 407,578 | (304,694) |
| Other | 406,227 | 16,400 | - | (389,827) |
| Total Instruction | 4,806,867 | 285,613 | 540,264 | (3,980,990) |
| Support Services | | | | |
| Pupil services | 304,575 | - | - | (304,575) |
| Instructional support services | 246,262 | - | 44,031 | (202,231) |
| Administration | 808,190 | - | - | (808,190) |
| Buildings and grounds | 980,123 | 1,028 | - | (979,095) |
| Pupil transportation | 339,504 | - | 28,801 | (310,703) |
| Other support services | 384,188 | - | 2,320 | (381,868) |
| Interest and fees | 58,332 | - | - | (58,332) |
| Food service | 317,186 | 194,772 | 165,112 | 42,698 |
| Community service | 288,082 | 184,864 | - | (103,218) |
| Depreciation-unallocated* | 284,256 | - | - | (284,256) |
| Total Support Services | 4,010,698 | 380,664 | 240,264 | (3,389,770) |
| Total Activities | \$ 8,817,565 | \$ 666,277 | \$ 780,528 | (7,370,760) |
| General Revenues | | | | |
| Taxes | | | | |
| Property taxes: | | | | |
| General purposes | | | | 3,263,842 |
| Debt service | | | | 575,000 |
| Community service | | | | 52,000 |
| Other | | | | 47,417 |
| State and federal aids not restricted to specific functions: | | | | |
| General | | | | 3,580,580 |
| Investment Income | | | | 41,424 |
| Miscellaneous | | | | 104,327 |
| Total General Revenues | | | | 7,664,590 |
| Change in Net Position | | | | 293,830 |
| NET POSITION-BEGINNING OF YEAR | | | | 9,218,161 |
| NET POSITION-END OF YEAR | | | | \$ 9,511,991 |

*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, 2013**

| | General Fund | Special Revenue Trust Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 1,813,622 | \$ 1,459,988 | \$ 42,387 | \$ 7,697 | \$ 3,323,694 |
| Taxes receivable | 1,248,809 | - | - | - | 1,248,809 |
| Interest receivable | - | 7,044 | - | - | 7,044 |
| Due from other funds | 36,927 | - | - | 98,436 | 135,363 |
| Due from other governments | 192,401 | - | - | 19,626 | 212,027 |
| Other current assets | 44,936 | - | - | 500 | 45,436 |
| TOTAL ASSETS | \$ 3,336,695 | \$ 1,467,032 | \$ 42,387 | \$ 126,259 | \$ 4,972,373 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 82,262 | \$ - | \$ - | 4,985 | \$ 87,247 |
| Accrued salaries and wages | 223,518 | - | - | 8,270 | 231,788 |
| Payroll taxes and withholdings | 416,675 | - | - | 8,639 | 425,314 |
| Due to other funds | 102,490 | - | - | 183 | 102,673 |
| Total Liabilities | 824,945 | - | - | 22,077 | 847,022 |
| Fund Balances | | | | | |
| Nonspendable | 44,936 | 1,416,293 | - | - | 1,461,229 |
| Restricted | - | 50,739 | 42,387 | 104,182 | 197,308 |
| Assigned | 2,466,814 | - | - | - | 2,466,814 |
| Total Fund Balances | 2,511,750 | 1,467,032 | 42,387 | 104,182 | 4,125,351 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,336,695 | \$ 1,467,032 | \$ 42,387 | \$ 126,259 | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,225,411

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

| | |
|------------------------------------|-----------------|
| General obligation debt | (3,825,000) |
| Accrued interest on long-term debt | <u>(13,771)</u> |

NET POSITION **\$ 9,511,991**

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, 2013

| | General Fund | Special Revenue Trust Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------|---------------------|-------------------------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Local | \$ 3,302,246 | \$ 85,615 | \$ 575,436 | \$ 432,148 | \$ 4,395,445 |
| Interdistrict | 279,150 | - | - | - | 279,150 |
| Intermediate | 13,705 | - | - | - | 13,705 |
| State | 3,828,255 | - | - | 5,142 | 3,833,397 |
| Federal | 379,728 | - | - | 159,970 | 539,698 |
| Other | - | - | - | 50,000 | 50,000 |
| Total Revenues | 7,803,084 | 85,615 | 575,436 | 647,260 | 9,111,395 |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Regular | 3,312,506 | 112,455 | - | - | 3,424,961 |
| Special education | 711,418 | - | - | - | 711,418 |
| Vocational | 247,677 | - | - | - | 247,677 |
| Other | 403,165 | - | - | - | 403,165 |
| Total instruction | 4,674,766 | 112,455 | - | - | 4,787,221 |
| Support Services | | | | | |
| Pupil services | 304,277 | - | - | - | 304,277 |
| Instructional support services | 249,818 | - | - | - | 249,818 |
| Administration | 797,684 | 975 | - | - | 798,659 |
| Buildings and grounds | 960,235 | - | - | - | 960,235 |
| Pupil transportation | 278,858 | - | - | 1,206 | 280,064 |
| Other support services | 475,067 | 50,000 | - | - | 525,067 |
| Debt service | | | | | |
| Principal | - | - | 515,000 | - | 515,000 |
| Interest and fees | - | - | 59,092 | - | 59,092 |
| Food service | - | - | - | 317,981 | 317,981 |
| Total support services | 3,065,939 | 50,975 | 574,092 | 319,187 | 4,010,193 |
| Community services | - | - | - | 288,082 | 288,082 |
| Total Expenditures | 7,740,705 | 163,430 | 574,092 | 607,269 | 9,085,496 |
| Net Change in Fund Balances | 62,379 | (77,815) | 1,344 | 39,991 | 25,899 |
| FUND BALANCES-BEGINNING OF YEAR | 2,449,371 | 1,544,847 | 41,043 | 64,191 | 4,099,452 |
| FUND BALANCES-END OF YEAR | <u>\$ 2,511,750</u> | <u>\$ 1,467,032</u> | <u>\$ 42,387</u> | <u>\$ 104,182</u> | <u>\$ 4,125,351</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, 2013**

| | |
|--|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 25,899 |
|--|-----------|

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 | 268,245 | |
| Depreciation expense reported in the statement of activities | (516,074) | |
| Net book value of assets disposed | - | (247,829) |

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

515,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

760

| | |
|------------------------|------------|
| CHANGE IN NET POSITION | \$ 293,830 |
|------------------------|------------|

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, 2013**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local | \$ 3,305,392 | \$ 3,305,392 | \$ 3,302,246 | \$ (3,146) |
| Interdistrict | 252,200 | 252,200 | 256,150 | 3,950 |
| State | 3,648,330 | 3,690,080 | 3,693,004 | 2,924 |
| Federal | 132,174 | 132,174 | 142,830 | 10,656 |
| Other | 2,500 | 2,500 | - | (2,500) |
| Total Revenues | <u>7,340,596</u> | <u>7,382,346</u> | <u>7,394,230</u> | <u>11,884</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular | 3,164,436 | 3,111,700 | 3,080,449 | 31,251 |
| Vocational | 252,258 | 252,258 | 247,677 | 4,581 |
| Other | 416,259 | 416,259 | 403,165 | 13,094 |
| Total instruction | <u>3,832,953</u> | <u>3,780,217</u> | <u>3,731,291</u> | <u>48,926</u> |
| Support Services | | | | |
| Pupil services | 266,858 | 241,000 | 240,865 | 135 |
| Instructional support services | 153,548 | 215,000 | 211,457 | 3,543 |
| Administration | 755,708 | 808,715 | 797,684 | 11,031 |
| Buildings and grounds | 979,821 | 979,821 | 960,235 | 19,586 |
| Pupil transportation | 277,074 | 277,074 | 257,649 | 19,425 |
| Other support services | 371,175 | 393,500 | 470,842 | (77,342) |
| Debt service | | | | |
| Interest and fees | - | - | - | - |
| Total support services | <u>2,804,184</u> | <u>2,915,110</u> | <u>2,938,732</u> | <u>(23,622)</u> |
| Non-program | | | | |
| General tuition payments | 285,951 | 232,058 | 232,057 | 1 |
| Total non-program | <u>285,951</u> | <u>232,058</u> | <u>232,057</u> | <u>1</u> |
| Total Expenditures | <u>6,923,088</u> | <u>6,927,385</u> | <u>6,902,080</u> | <u>25,305</u> |
| Excess of revenues over expenditures | 417,508 | 454,961 | 492,150 | 37,189 |
| OTHER FINANCING USES | | | | |
| Transfer to other funds | <u>(420,000)</u> | <u>(460,000)</u> | <u>(429,771)</u> | <u>30,229</u> |
| Net Change in Fund Balance | (2,492) | (5,039) | 62,379 | 67,418 |
| FUND BALANCES-BEGINNING OF YEAR | <u>2,449,371</u> | <u>2,449,371</u> | <u>2,449,371</u> | <u>-</u> |
| FUND BALANCES-END OF YEAR | <u>\$ 2,446,879</u> | <u>\$ 2,444,332</u> | <u>\$ 2,511,750</u> | <u>\$ 67,418</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, 2013**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|----------------|----------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interdistrict | \$ 15,000 | \$ 15,000 | \$ 23,000 | \$ 8,000 |
| Intermediate | 24,000 | 24,000 | 13,705 | (10,295) |
| State | 135,000 | 135,000 | 135,251 | 251 |
| Federal | 173,000 | 173,000 | 236,898 | 63,898 |
| Total Revenues | <u>347,000</u> | <u>347,000</u> | <u>408,854</u> | <u>61,854</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Special education | 645,573 | 645,573 | 711,418 | (65,845) |
| Total instruction | <u>645,573</u> | <u>645,573</u> | <u>711,418</u> | <u>(65,845)</u> |
| Support Services | | | | |
| Pupil services | 61,000 | 61,000 | 63,412 | (2,412) |
| Instructional support services | 20,000 | 20,000 | 38,361 | (18,361) |
| Pupil transportation | 22,922 | 22,922 | 21,209 | 1,713 |
| Other support services | 13,850 | 13,850 | 4,225 | 9,625 |
| Total support services | <u>117,772</u> | <u>117,772</u> | <u>127,207</u> | <u>(9,435)</u> |
| Non-program | | | | |
| Other non-program | - | - | - | - |
| Total Expenditures | <u>763,345</u> | <u>763,345</u> | <u>838,625</u> | <u>(75,280)</u> |
| Excess (deficiency) of revenues over expenditures | (416,345) | (416,345) | (429,771) | (13,426) |
| OTHER FINANCING SOURCES | | | | |
| Transfer from general fund | <u>416,345</u> | <u>416,345</u> | <u>429,771</u> | <u>13,426</u> |
| 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 POSITION
FIDUCIARY FUNDS
June 30, 2013**

| | Private Purpose Trust | Employee Benefit Trust | Agency |
|-----------------------|-----------------------------|------------------------------|------------|
| ASSETS | | | |
| Cash and investments | \$ 55,694 | \$ 712,448 | \$ 128,855 |
| Interest receivable | 293 | - | - |
| Due from other funds | - | - | - |
| Total Assets | \$ 55,987 | \$ 712,448 | \$ 128,855 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 1,180 |
| Due to other funds | - | 32,600 | 90 |
| Due to student groups | - | - | 127,585 |
| Total Liabilities | - | 32,600 | \$ 128,855 |
| NET POSITION | \$ 55,987 | \$ 679,848 | |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

| | Purpose Trust | Benefit Trust |
|--------------------------------|------------------|-------------------|
| ADDITIONS | | |
| Contributions | \$ 8,920 | \$ 11,938 |
| Investment earnings | 680 | 6,434 |
| Total additions | <u>9,600</u> | <u>18,372</u> |
| DEDUCTIONS | | |
| Benefits | <u>10,900</u> | <u>132,731</u> |
| Change in Net Position | (1,300) | (114,359) |
| NET POSITION-BEGINNING OF YEAR | <u>57,287</u> | <u>794,207</u> |
| NET POSITION-END OF YEAR | <u>\$ 55,987</u> | <u>\$ 679,848</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

INDEX TO NOTES TO FINANCIAL STATEMENTS
June 30, 2013

| NOTE | <u>Page</u> |
|--|--------------------|
| 1. Summary of Significant Accounting Policies | 25 |
| A. Reporting Entity | 25 |
| B. Changes in Accounting Methods and Basis of Financial Statement Presentation | 25 |
| C. Basis of Presentation | 26 |
| D. Basis of Accounting | 28 |
| E. Measurement Focus | 30 |
| F. Inventories | 30 |
| G. Long-Term Obligations | 30 |
| H. Capital Assets | 31 |
| I. Interfund Receivables and Payables | 31 |
| J. Budgets | 31 |
| K. Allowance for Uncollectible Accounts | 32 |
| L. Compensated Absences and Other Employee Benefit Amounts | 32 |
| M. Post Employment Benefits Other Than Pension Benefits | 32 |
| N. Other Assets | 33 |
| O. Claims and Judgments | 33 |
| P. Interfund Transactions | 33 |
| Q. Equity Classifications | 33 |
| R. Use of Estimates | 35 |
| 2. Deposits and Investments | 35 |
| 3. Capital Assets | 38 |
| 4. Long-Term Obligations | 40 |
| 5. Lease Disclosures | 41 |
| 6. Employees' Retirement System | 41 |
| 7. Governmental Activities Net Position | 43 |
| 8. Governmental Fund Balances | 43 |
| 9. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Position | 44 |
| 10. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities | 44 |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
INDEX TO NOTES TO FINANCIAL STATEMENTS
June 30, 2013

| NOTE | <u>Page</u> |
|---|--------------------|
| 11. Excess of Actual Expenditures Over Budget in Individual Funds | 44 |
| 12. Risk Management | 45 |
| 13. Commitments and Contingencies | 45 |
| 14. Limitation of School District Revenues | 45 |
| 15. Post Employment Benefits | 45 |
| 16. Due From/Due To Other Funds - Fund Financial Statements | 49 |
| 17. Subsequent Events | 49 |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The District is organized as a common school district. The District, governed by a seven member elected school board, operates grades 4 year old kindergarten through grade12 and is comprised of all or parts of ten taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. 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 Position 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION

District-wide Financial Statements

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

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

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

FIDUCIARY FUNDS (Not included in district-wide statements)

Private-Purpose Trust Funds

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

Employee Benefit Trust Fund

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

Agency Funds

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

Major Funds

The District reports the following major governmental funds:

General Fund
Special Revenue Trust Fund
Debt Service Fund

Non-major Funds

The District reports the following non-major funds:

Special Revenue Funds –
Food Service Fund
Community Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

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

D. BASIS OF ACCOUNTING

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 – 2012 tax roll:

| | |
|--|------------------|
| Lien date and levy date | October, 2012 |
| Tax bills mailed | December, 2012 |
| Payment in full, or | January 31, 2013 |
| First installment due | January 31, 2013 |
| Second installment due | July 31, 2013 |
| Personal property taxes in full | January 31, 2013 |
| Tax sale 2012 delinquent real estate taxes | October, 2016 |

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, 2013

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 Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

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

F. INVENTORIES

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

G. LONG-TERM OBLIGATIONS

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CAPITAL ASSETS

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

I. INTERFUND RECEIVABLES AND PAYABLES

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

J. BUDGETS

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. BUDGETS (continued)

The District follows these procedures in establishing the budgetary data:

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

K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

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

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

Vacation days are not carried over from year to year.

Accumulated benefits are recorded as an expenditure in the year used. The estimated liability for employee's rights to receive compensation for possible future absences consists of \$1,001,253 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.

This benefit was terminated by board action on July 1, 2012 for all future retirees.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. OTHER ASSETS

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

O. CLAIMS AND JUDGMENTS

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

P. INTERFUND TRANSACTIONS

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

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

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

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

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

Fund Statements

Governmental fund equity is classified as fund balance.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS (continued)

Fund Statements (continued)

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. USE OF ESTIMATES

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

| | |
|--|---------------------|
| Deposits | \$ 2,543,674 |
| Investments | <u>1,677,017</u> |
| Total Deposits and Investments | <u>\$ 4,220,691</u> |
| Per statement of net position - deposits and investments | \$ 3,323,694 |
| Per statement of net position - fiduciary funds | <u>896,997</u> |
| Total | <u>\$ 4,220,691</u> |

Deposits

At year end, the carrying amount of the District's deposits was \$2,543,674 and the bank balance was \$2,604,228. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, \$1,498,883 was covered by federal depository insurance and collateral and \$1,105,345 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.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

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

INVESTMENTS

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

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

INTEREST RATE RISKS

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

INTEREST RATE RISKS (continued)

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

| | Fair Value | < 1 | 1-5 | 6-10 | > 10 |
|----------------------------------|---------------------|---------------------|-------------------|------------------|------------------|
| Local Government Investment Pool | \$ 1,327,017 | \$ 1,327,017 | \$ - | \$ - | \$ - |
| U.S. Government Securities | 350,000 | 100,000 | 150,000 | 50,000 | 50,000 |
| Totals | <u>\$ 1,677,017</u> | <u>\$ 1,427,017</u> | <u>\$ 150,000</u> | <u>\$ 50,000</u> | <u>\$ 50,000</u> |

CREDIT RISK

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

| | Carrying Amount | Rating |
|-------------------------------------|---------------------|-----------|
| WI Local Government Investment Pool | \$ 1,327,017 | Not Rated |
| U.S. Government Securities | 350,000 | Not Rated |
| Totals | <u>\$ 1,677,017</u> | |

Fair (Market) Value of Deposits and Investments

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

Determining Fair Value

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| 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 | 2,372,915 | 268,245 | (41,780) | 2,599,380 |
| Total Capital Assets Being Depreciated | <u>16,092,878</u> | <u>268,245</u> | <u>(41,780)</u> | <u>16,319,343</u> |
| Less: Accumulated depreciation for | | | | |
| Site improvements | (126,438) | (9,633) | - | (136,071) |
| Buildings and improvements | (4,866,660) | (274,623) | - | (5,141,283) |
| Furniture and equipment | (1,816,871) | (231,818) | 41,780 | (2,006,909) |
| Total Accumulated Depreciation | <u>(6,809,969)</u> | <u>(516,074)</u> | <u>41,780</u> | <u>(7,284,263)</u> |
| Net Capital Assets | <u>\$ 9,473,240</u> | <u>\$ (247,829)</u> | <u>\$ -</u> | <u>\$ 9,225,411</u> |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

| | |
|--------------------------------|--------------------------|
| Instruction | |
| Regular | 14,122 |
| Special education | 2,993 |
| Vocational | 7,516 |
| Other | 3,062 |
| Support services | |
| Pupil services | 298 |
| Instructional support services | 2,079 |
| Administration | 13,071 |
| Buildings and grounds | 19,888 |
| Pupil transportation | 59,440 |
| Other support services | 106,352 |
| Food service | 2,997 |
| Unallocated | <u>284,256</u> |
| Total Depreciation Expense | <u><u>\$ 516,074</u></u> |

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

| | General Fund | Special Education Fund | Food Services Fund |
|--------------------------------|--------------------------|------------------------------|--------------------------|
| Instruction | | | |
| Regular | \$ - | \$ 863 | \$ - |
| Vocational | 7,184 | - | - |
| Instructional support services | 5,635 | - | - |
| Administration | 3,540 | - | - |
| Other support services | <u>247,231</u> | <u>-</u> | <u>3792</u> |
| Totals | <u><u>\$ 263,590</u></u> | <u><u>\$ 863</u></u> | <u><u>\$ 3,792</u></u> |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – LONG-TERM OBLIGATIONS

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|-----------|------------|-------------------|-----------------------------------|
| Bonds, Notes and Loans Payable | | | | | |
| General obligation debt | \$ 4,340,000 | \$ - | \$ 515,000 | \$ 3,825,000 | \$ 515,000 |
| Total Long-Term Liabilities | \$ 4,340,000 | \$ - | \$ 515,000 | \$ 3,825,000 | \$ 515,000 |

General Obligation Debt

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

| Type | Date of Issue | Final Maturity | Interest Rate | Original Indebtedness | End of Year Balance |
|---|------------------|-------------------|------------------|--------------------------|------------------------|
| General Obligation Debt: | | | | | |
| Refunding Bonds | 1/5/2012 | 4/1/2020 | .6% - 2.0% | \$ 4,380,000 | \$ 3,825,000 |
| Total Governmental Activities Long-Term Obligations | | | | | \$ 3,825,000 |

Interest expense of \$58,332 was incurred and \$59,092 was paid for the year. Interest expense was not allocated to any other functions.

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

| Year | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2014 | \$ 515,000 | \$ 56,003 | \$ 571,003 |
| 2015 | 530,000 | 51,883 | 581,883 |
| 2016 | 540,000 | 46,583 | 586,583 |
| 2017 | 545,000 | 39,563 | 584,563 |
| 2018 | 555,000 | 31,388 | 586,388 |
| 2019-2020 | 1,140,000 | 33,453 | 1,173,453 |
| Totals | \$ 3,825,000 | \$ 258,873 | \$ 4,083,873 |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

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 \$39,346,781. Total general obligation debt outstanding at year-end was \$3,825.00.

NOTE 5 - LEASE DISCLOSURES

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:

| Year Ending June 30 | |
|---------------------|------------------|
| 2014 | \$ 11,148 |
| Total | <u>\$ 11,148</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.

NOTE 6 – EMPLOYEES' RETIREMENT SYSTEM

All eligible (District) employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours of teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 are:

| | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including Teachers) | 6.65% | 6.65% |
| Executives & Elected Officials | 7.00% | 7.00% |
| Protective with Social Security | 6.65% | 9.75% |
| Protective without Social Security | 6.65% | 12.35% |

The payroll for District employees covered by the WRS for the year ended June 30, 2013 was \$3,722,936; the employer’s total payroll was \$4,171,117. The total required contribution for the year ended June 30, 2013 was \$473,871, which consisted of \$237,409 from the employer and \$236,462 from employees. Total contributions for the years ending June 30, 2012 and 2011 were \$451,415 and \$458,423, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earning is the average of the employee’s three highest years’ earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on after January 1 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Governmental Activities

| | |
|--|---------------------|
| Net investment in capital assets | \$ 9,225,411 |
| Less: related long-term debt outstanding | <u>3,825,000</u> |
| Total Net Investment in Capital Assets | <u>5,400,411</u> |
| Restricted | |
| Debt service | 42,387 |
| Special revenue trust | 1,467,032 |
| Food service program | 96,168 |
| Community service program | <u>8,014</u> |
| Total Restricted | <u>1,613,601</u> |
| Unrestricted | <u>2,497,979</u> |
| Total Governmental Activities Net Position | <u>\$ 9,511,991</u> |

NOTE 8 – GOVERNMENTAL FUND BALANCES

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

| | |
|--|---------------------|
| Nonspendable | |
| Major Funds | |
| General Fund-prepaid expenses | \$ 44,936 |
| Special Revenue Trust fund-principal of fund | <u>1,416,293</u> |
| Total Nonspendable Fund Balances | <u>1,461,229</u> |
| Restricted | |
| Major Funds | |
| Debt Service fund | 42,387 |
| Special Revenue Trust fund | 50,739 |
| Nonmajor Funds | |
| Food Service fund | 96,168 |
| Community Service fund | <u>8,014</u> |
| Total Restricted Fund Balances | <u>197,308</u> |
| Assigned | |
| Major Fund | |
| General Fund-for working capital purposes | <u>2,466,814</u> |
| Total Governmental Fund Balances | <u>\$ 4,125,351</u> |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

| | |
|---|---------------------|
| Capital assets, net of accumulated depreciation | <u>\$ 9,225,411</u> |
|---|---------------------|

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

| | |
|-------------------------------|-------------------------|
| Bonds, notes and loan payable | \$ 3,825,000 |
| Accrued interest | <u>13,771</u> |
| Combined Adjustment | <u>\$ 3,838,771</u> |

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

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

| | |
|------------------|-------------------|
| Accrued interest | |
| Beginning | \$ 14,531 |
| Ending | <u>(13,771)</u> |
| Decrease | <u>\$ 760</u> |

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

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

| Fund | Excess Expenditures |
|--------------------------------|------------------------|
| General Fund: | |
| Other Support Services | \$ 77,342 |
| Special Education Fund: | |
| Instruction | 65,845 |
| Pupil Services | 2,412 |
| Instructional Support Services | 18,361 |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 14 – LIMITATION OF SCHOOL DISTRICT REVENUES

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

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

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

A referendum on or after August 12, 1993.

NOTE 15 - POST-EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post-employment 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 District policy. The criteria to determine eligibility include: years of service, employee age and category of employment. Eligible retiring employees must be full time, age 55 and have fifteen years (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, 2013

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

For teachers retiring after June 30, 2006, the monthly benefit payable towards medical and dental insurance coverage was equal to years of service at age 55 times \$150 divided by 12. For teacher retirements prior to June 30, 2006, the monthly benefit payable towards medical and dental insurance coverage was equal to years of service at age 57 times \$250 divided by 12, plus \$10,000. The benefit is payable until the participant qualifies for Medicare benefits. For teachers the benefit was terminated as of July 1, 2012.

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

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

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

The actuarial method and assumptions used in the June 1, 2011, valuation were as follows:

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

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

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

Actuarial Cost Method: Projected Unit Credit.

Measurement Date: June 1, 2011

Economic Assumptions

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

Economic Assumptions (continued)

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

Healthcare Cost Trend Rate:

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

Salary Increases:

-3% per annum

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

Demographic Assumptions

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

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

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

The number of plan participants as of the measurement date was 63. The actuarial accrued liability was \$3,029,028, and the annual required contribution was \$251,687. The assets available are \$679,848, 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, are as follows:

| | |
|--|--------------------|
| Normal cost | \$ 126,497 |
| 30 year amortization of unfunded accrued liability | 125,190 |
| Annual required contribution | <u>251,687</u> |
| Contributions made | - |
| Adjustment | <u>(251,687)</u> |
| Change in OPEB liability | - |
| Net OPEB liability - beginning of year | - |
| Net OPEB liability - end of year | <u><u>\$ -</u></u> |

Trend Information

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

| Year Ended | OPEB Cost | Contribution (ARC) | OPEB Cost Contributed | % of ARC Contributed | OPEB Obligation |
|------------|-----------|--------------------|-----------------------|----------------------|-----------------|
| 6/30/2013 | \$ - | \$ - | \$ - | 0.0% | \$ - |
| 6/30/2012 | 251,687 | 251,687 | 88,567 | 35.2% | - |
| 6/30/2011 | 251,426 | 251,426 | 248,422 | 98.8% | 19,772 |

Funded Status and Funding Progress

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll ([b-a]/c) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|--|
| 6/30/2013 | \$ 0.7 | \$ 3.0 | \$ 2.3 | 23.3% | \$ - | 0.0% |
| 6/30/2012 | 0.8 | 3.0 | 2.2 | 26.7% | - | 0.0% |
| 6/30/2011 | 1.0 | 3.0 | 2.0 | 33.3% | 3.3 | 60.6% |

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

The benefit was terminated as of July 1, 2012 for any future retirees. The District believes the balance in the trust covers its future liability as of year end based upon the remaining balances due participants in the plan.

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

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 | \$ 32,690 | \$ - |
| Agency Fund | - | 90 |
| Employee Benefit Trust Fund | - | 32,600 |
| Totals | <u>\$ 32,690</u> | <u>\$ 32,690</u> |

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2013, the date the financial statements were available to be issued.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2013**

| | General Fund | Special Education Fund | Total General Fund |
|---|----------------------------|------------------------------|----------------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,813,622 | \$ - | \$ 1,813,622 |
| Taxes receivable | 1,248,809 | - | 1,248,809 |
| Prepaid expenses | 44,936 | - | 44,936 |
| Due from other funds | 36,927 | - | 36,927 |
| Due from other governments | 122,856 | 69,545 | 192,401 |
| TOTAL ASSETS | <u>\$ 3,267,150</u> | <u>\$ 69,545</u> | <u>\$ 3,336,695</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 80,917 | \$ 1,345 | \$ 82,262 |
| Accrued payroll, payroll taxes, withholdings | 576,046 | 64,147 | 640,193 |
| Due other funds | 98,437 | 4,053 | 102,490 |
| Due other governments | - | - | - |
| Total Liabilities | <u>755,400</u> | <u>69,545</u> | <u>824,945</u> |
| Fund Balances | | | |
| Nonspendable | 44,936 | - | 44,936 |
| Assigned | 2,466,814 | - | 2,466,814 |
| Total Fund Balances | <u>2,511,750</u> | <u>-</u> | <u>2,511,750</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,267,150</u> | <u>\$ 69,545</u> | <u>\$ 3,336,695</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

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

For the Year Ended June 30, 2013

| | General Fund | Special Education Fund | Total General Fund |
|---|---------------------|------------------------------|--------------------------|
| REVENUES | | | |
| Local sources | \$ 3,302,246 | \$ - | \$ 3,302,246 |
| Interdistrict sources | 256,150 | 23,000 | 279,150 |
| Intermediate sources | - | 13,705 | 13,705 |
| State sources | 3,693,004 | 135,251 | 3,828,255 |
| Federal sources | 142,830 | 236,898 | 379,728 |
| Other sources | - | - | - |
| Total Revenues | <u>7,394,230</u> | <u>408,854</u> | <u>7,803,084</u> |
| EXPENDITURES | | | |
| Instruction | | | |
| Regular | 3,312,506 | - | 3,312,506 |
| Special education | - | 711,418 | 711,418 |
| Vocational | 247,677 | - | 247,677 |
| Other instruction | 403,165 | - | 403,165 |
| Total instruction | <u>3,963,348</u> | <u>711,418</u> | <u>4,674,766</u> |
| Support Services | | | |
| Pupil services | 240,865 | 63,412 | 304,277 |
| Instruction support services | 211,457 | 38,361 | 249,818 |
| Administration | 797,684 | - | 797,684 |
| Buildings and grounds | 960,235 | - | 960,235 |
| Pupil transportation | 257,649 | 21,209 | 278,858 |
| Other support services | 470,842 | 4,225 | 475,067 |
| Debt service | | | |
| Interest and fees | - | - | - |
| Total support services | <u>2,938,732</u> | <u>127,207</u> | <u>3,065,939</u> |
| Total Expenditures | <u>6,902,080</u> | <u>838,625</u> | <u>7,740,705</u> |
| Excess (deficiency) of revenues over expenditures | 492,150 | (429,771) | 62,379 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 429,771 | 429,771 |
| Operating transfers out | (429,771) | - | (429,771) |
| NET CHANGE IN FUND BALANCE | 62,379 | - | 62,379 |
| FUND BALANCES-BEGINNING OF YEAR | <u>2,449,371</u> | <u>-</u> | <u>2,449,371</u> |
| FUND BALANCES-END OF YEAR | <u>\$ 2,511,750</u> | <u>\$ -</u> | <u>\$ 2,511,750</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

| | Food Service | Community Service | Total Nonmajor Governmental Funds |
|--------------------------------------|-------------------|----------------------|--|
| ASSETS | | | |
| Cash and investments | \$ - | \$ 7,697 | \$ 7,697 |
| Accounts receivable | - | 500 | 500 |
| Due from other funds | 97,815 | 621 | 98,436 |
| Due from other governments | 19,626 | - | 19,626 |
| | \$ 117,441 | \$ 8,818 | \$ 126,259 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 4,985 | \$ - | \$ 4,985 |
| Accrued salaries and wages | 16,288 | 621 | 16,909 |
| Due to other funds | - | 183 | 183 |
| Total Liabilities | 21,273 | 804 | 22,077 |
| Fund Balances | | | |
| Restricted | 96,168 | 8,014 | 104,182 |
| Total Fund Balances | 96,168 | 8,014 | 104,182 |
| | \$ 117,441 | \$ 8,818 | \$ 126,259 |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

| | Food Service | Community Service | Total Nonmajor Governmental Funds |
|---|------------------|----------------------|--|
| REVENUES | | | |
| Local | \$ 194,772 | \$ 237,376 | \$ 432,148 |
| State | 5,142 | - | 5,142 |
| Federal | 159,970 | - | 159,970 |
| Other | - | 50,000 | 50,000 |
| Total Revenues | <u>359,884</u> | <u>287,376</u> | <u>647,260</u> |
| EXPENDITURES | | | |
| Support Services | | | |
| Pupil transportation | - | 1,206 | 1,206 |
| Food service | 317,981 | - | 317,981 |
| Total support services | <u>317,981</u> | <u>1,206</u> | <u>319,187</u> |
| Community services | - | 288,082 | 288,082 |
| Total Expenditures | <u>317,981</u> | <u>289,288</u> | <u>607,269</u> |
| Excess (deficiency) of revenues over expenditures | 41,903 | (1,912) | 39,991 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in (out) | - | - | - |
| Net Change in Fund Balance | 41,903 | (1,912) | 39,991 |
| FUND BALANCES (DEFICIT) - BEGINNING OF YEAR | <u>54,265</u> | <u>9,926</u> | <u>64,191</u> |
| FUND BALANCES-END OF YEAR | <u>\$ 96,168</u> | <u>\$ 8,014</u> | <u>\$ 104,182</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2013

| | <u>Beginning Balance</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Ending Balance</u> |
|------------------------------|------------------------------|-------------------|----------------------|---------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 111,682 | \$ 248,930 | \$ 231,757 | \$ 128,855 |
| Total Assets | <u>\$ 111,682</u> | <u>\$ 248,930</u> | <u>\$ 231,757</u> | <u>\$ 128,855</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 1,180 | \$ - | \$ 1,180 |
| Due to other funds | - | 90 | - | 90 |
| Due to student organizations | <u>111,682</u> | <u>247,660</u> | <u>231,757</u> | <u>127,585</u> |
| Total Liabilities | <u>\$ 111,682</u> | <u>\$ 248,930</u> | <u>\$ 231,757</u> | <u>\$ 128,855</u> |

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

| 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 | \$ (26,691) | \$ 89,487 | \$ 55,861 | \$ 118,657 | \$ 118,657 |
| Title II-A | 84.367 | - | 24,172 | - | 24,172 | 24,172 |
| IDEA Flow Thru | 84.027 | - | 115,397 | 16,445 | 131,842 | 131,842 |
| IDEA Preschool | 84.173 | - | 632 | 7,380 | 8,012 | 8,012 |
| State of Wisconsin-Department of Administration | | | | | | |
| Education Jobs Fund ARRA | 84.410 | (19,233) | 19,233 | - | - | - |
| U.S. DEPT OF HEALTH & HUMAN SERVICES | | | | | | |
| State of Wisconsin-Department of Health Services | | | | | | |
| Medical Assistance | 93.778 | - | 97,044 | - | 97,044 | 97,044 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| State of Wisconsin-Department of Public Instruction | | | | | | |
| Food Distribution - Commodities | 10.555 | - | 24,817 | - | 24,817 | 24,817 |
| National Breakfast Program | 10.553 | (186) | 12,689 | 2,603 | 15,106 | 15,106 |
| National School Lunch Program | 10.555 | (982) | 104,006 | 17,023 | 120,047 | 120,047 |
| TOTAL FEDERAL AWARDS | | <u>\$ (47,092)</u> | <u>\$ 487,477</u> | <u>\$ 99,312</u> | <u>\$ 539,697</u> | <u>\$ 539,697</u> |

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2013

| State Agency/ Pass-Through Agency/ Program Title | State ID Number | Revenues | | | Total Revenues | Total Expenditures Grantor Share |
|--|-----------------------|---|------------------------|--|---------------------|---|
| | | (Accrued) Deferred Beginning Balance | Received (Returned) | Accrued (Deferred) Ending Balance | | |
| DEPARTMENT OF PUBLIC INSTRUCTION | | | | | | |
| Entitlement Programs | | | | | | |
| Handicapped Pupils and School Age Parents | 255.101 | \$ - | \$ 135,251 | \$ - | \$ 135,251 | \$ 135,251 |
| Participant in Package Programs: | | | | | | |
| Waupaca Schools | | - | - | 23,000 | 23,000 | \$ 23,000 |
| CESA # 5 | | - | 12,429 | - | 12,429 | 12,429 |
| Total Handicapped Program | | - | 147,680 | 23,000 | 170,680 | 170,680 |
| School Lunch Aid Program | 255.102 | - | 4,101 | - | 4,101 | 4,101 |
| Common School Fund Library Aid | 255.103 | - | 31,207 | - | 31,207 | 31,207 |
| General Equalization | 255.201 | (65,549) | 3,542,384 | 65,130 | 3,541,965 | 3,541,965 |
| Pupil Transportation | 255.107 | - | 28,801 | - | 28,801 | 28,801 |
| School Breakfast Aid Program | 255.344 | - | 1,041 | - | 1,041 | 1,041 |
| Per Pupil Adjustment Aid | 255.925 | - | 36,750 | - | 36,750 | 36,750 |
| Payment In Lieu of Taxes | | - | 47,417 | - | 47,417 | 47,417 |
| Computer Aid | | (2,612) | 2,612 | 1,865 | 1,865 | 1,865 |
| Total Wisconsin Department of Public Instruction | | (68,161) | 3,841,993 | 89,995 | 3,863,827 | 3,863,827 |
| TOTAL STATE AWARDS | | \$ (68,161) | \$ 3,841,993 | \$ 89,995 | \$ 3,863,827 | \$ 3,863,827 |

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, 2013**

NOTE 1 - BASIS OF PRESENTATION

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.

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2012-2013 eligible costs under the State Special Education Program are \$461,416.

NOTE 3 - FOOD DISTRIBUTION

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

ACCOUNTING WORKSHOP, SC
CERTIFIED PUBLIC ACCOUNTANTS
5001 Heffron Street
Stevens Point, WI 54481
Tel (715) 341-2911
Fax (715) 341-5737

Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 13-1 and 13-2 that we consider to be significant deficiencies.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Accounting Workshop SC

Accounting Workshop, SC
October 11, 2013

Independent Auditor's Report On Compliance For
Each Major Federal and State Program and On Internal Control
Over Compliance Required by OMB Circular A-133
And State Single Audit Guidelines

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-1 and 13-2 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting Workshop SC

Accounting Workshop, SC
October 11, 2013

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section I - Summary of Audit Results

Financial Statements

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

Federal Awards

| | | |
|--|-------------|------------------------------|
| Internal control over financial reporting: Material weakness identified? | _____ yes | _____ <u>X</u> no |
| Significant deficiency(ies) identified considered to be material weaknesses? | _____ yes | _____ <u>X</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)? | _____ yes | _____ <u>X</u> no |

Identification of major federal programs

| CFDA Number | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.010 | Title 1 |
| 84.027, 84.173 | IDEA Cluster |
| 84.367 | Title 2A |

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

State Awards

Internal control over financial reporting:

Material weakness identified? _____ yes X no

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

Identification of major state programs

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

Section II - Financial Statement Findings

13-1 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, 2013

Section II - Financial Statement Findings (continued)

13-2 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 13-1 under financial statement findings.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

DEPARTMENT OF EDUCATION

Finding 12-1: 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.