

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

IOLA, WISCONSIN

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

AS OF JUNE 30, 2009

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

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SCHOOL DISTRICT OF IOLA-SCANDINAVIA

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Independent Auditor's Report

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

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District at June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and special education fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Accounting Workshop SC

Accounting Workshop, SC
October 21, 2009

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

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

THE DISTRICT

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

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

School Board

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

<u>Name</u>	<u>Occupation</u>	<u>Expiration Of Term</u>
Tom Opperman, President	Farmer	April, 2010
Randy L. Frye, Vice President	Lineman	April, 2011
William Peterson, Treasurer	Farmer	April, 2010
Colleen Sykes, Clerk	Homemaker	April, 2012
Daniel Loken, Board Member	Teacher	April, 2011
Kelton Wilhite, Board Member	Administrator	April, 2011
Charlie Wasrud, Board Member	Self-Employed	April, 2012

Administration

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

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

District Facilities

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

GENERAL INFORMATION

Location

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

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

Education

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

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 \$112,793. The assets of the school district exceeded liabilities at the close of the fiscal year by \$8.7M (*net assets*). Of this amount, \$4.8M 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 \$2.2M.
- The General Fund (Fund 10) fund balance increased by \$28,058. The original budget was adopted with a deficit of \$5,165. The original budget was amended during the year.
- Financial activity resulted in a surplus of \$6,287 in the Food Service Fund (Fund 50) and a deficit of \$2,688 in the Community Service Fund (Fund 80).
- Capital assets have been reported at \$16.1M less depreciation of \$5.7M for a net capital asset value of \$10.4M. (See Note 3) The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$300. A physical inventory of the District's assets has been maintained annually. The addition of asset depreciation has been incorporated in the financial report.
- The District did not issue any new general obligation debt in FY 2009.
- The District contributed \$150,000 to the Employee Benefit Trust in FY 2009.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

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 assets, and Statement of activities	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and Statement of revenues, expenses and changes in net assets, and Statement of cash flows.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting Economic resources focus	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All asset and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

Table #2

<u>Condensed Statement of Net Assets</u>				
	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>% Change</u>
<u>Assets</u>				
Current Assets	\$ 4,537,494	\$ 4,581,775	\$ (44,281)	(1.0)
Capital Assets	<u>10,429,211</u>	<u>10,701,013</u>	<u>(271,802)</u>	(2.5)
Total Assets	<u>\$ 14,966,705</u>	<u>\$ 15,282,788</u>	<u>\$(316,083)</u>	(2.1)
<u>Liabilities</u>				
Current Liabilities	\$ 1,103,087	\$ 1,131,963	\$ (28,876)	(2.6)
Non-Current Liabilities	<u>5,200,000</u>	<u>5,600,000</u>	<u>(400,000)</u>	(7.1)
Total Liabilities	<u>\$ 6,303,087</u>	<u>\$ 6,731,963</u>	<u>\$(428,876)</u>	(6.4)
<u>Net Assets</u>				
Invested in Capital Assets, net of related debt	\$ 4,829,211	\$ 4,726,013	\$ 103,198	2.2
Restricted	1,690,966	1,732,260	(41,294)	(2.4)
Unrestricted	<u>2,143,441</u>	<u>2,092,552</u>	<u>50,889</u>	2.4
Total Net Assets	<u>\$ 8,663,618</u>	<u>\$ 8,550,825</u>	<u>\$ 112,793</u>	1.3

Statement of Net Assets: (Table #2)

As of June 30, 2009, the District reported total assets of \$15M and total liabilities of \$6.3M. Net assets amount to \$8.7M. \$4.8M 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, 2009

Table #3

<u>Changes in Net Assets from Operating Results</u> <u>For Governmental Activities</u>					
	<u>Actual</u> <u>2008-09</u>	<u>%</u>	<u>Actual</u> <u>2007-08</u>	<u>%</u>	<u>%</u> <u>Change</u>
Revenues:					
Program					
Charges for Services	\$ 598,742	6.6	\$ 604,319	6.8	(0.9)
Operating Grants & Cont.	533,782	5.8	485,027	5.5	10.1
General					
Property & Other Taxes	3,216,927	35.2	3,135,355	35.3	2.6
General State Aid	4,695,043	51.4	4,497,545	50.6	4.4
Other	92,347	1.0	162,950	1.8	(43.3)
Total Revenue	<u>9,136,841</u>	100.0	<u>8,885,196</u>	100.0	2.8
Expenses:					
Instruction	4,758,748	52.7	4,599,283	52.4	3.5
Pupil & Instr. Ser.	595,895	6.6	584,995	6.7	1.9
Administration	1,125,807	12.5	1,067,242	12.2	5.5
Building and Grounds	1,085,099	12.0	1,026,552	11.7	5.7
Pupil Transportation	328,958	3.6	350,716	4.0	(6.2)
Other Support Services	567,600	6.3	535,253	6.1	6.0
Interest and Fees	246,916	2.7	271,587	3.1	(9.1)
Food Service	315,025	3.6	340,107	3.8	(7.4)
Total Expense	<u>9,024,048</u>	100.0	<u>8,775,735</u>	100.0	2.8
Change in Net Assets	<u>\$ 112,793</u>		<u>\$ 109,461</u>		

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 2009

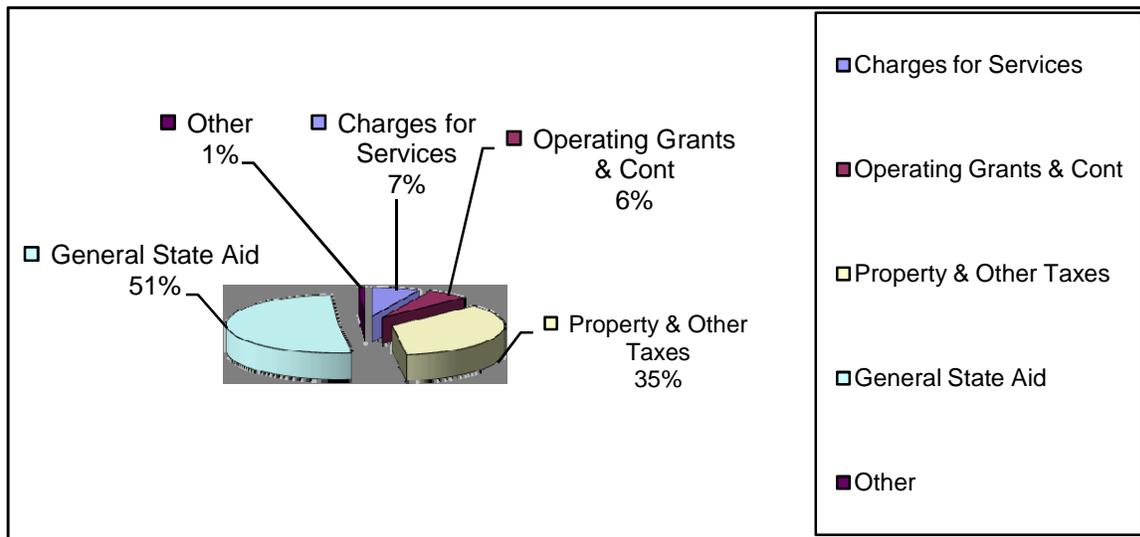
Revenue (Table #3)

- For FY 09, the District received \$9.1M in revenue. 35.2% of this total came from local school property tax and prior year tax backs. 51.4% of the total came in the form of federal and state aid. The District receives approximately 12.4% 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 \$598,742 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 \$533,782. 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 08-09



SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

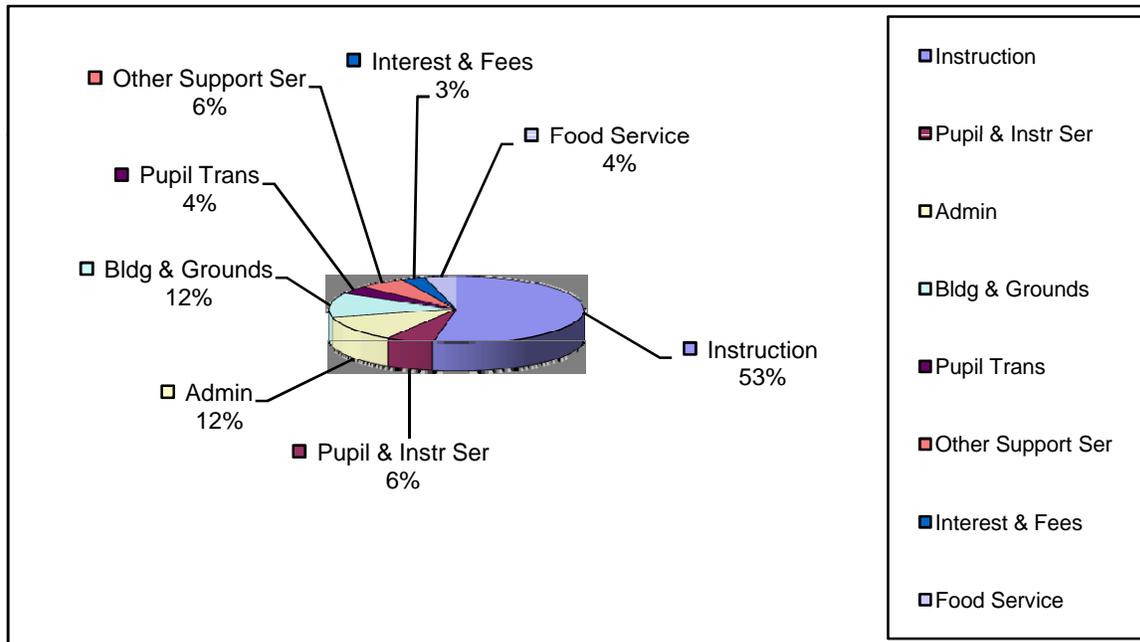
Expenses (Table #3)

- For FY 09, the District's total expenditure amount was \$9M. 59.3% 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 34.4%. These costs included student transportation, individual building budgets, district maintenance and school business insurance. The Food Service Program represents 3.6% and costs for debt service represents approximately 2.7% of total expenditures.

Chart #2 - Table #3

This Chart illustrates the Distribution of costs by Function.

Expenses by Function - FY 08-09



SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

Table #4

Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	4,758,748	4,599,283	4,182,461	4,086,051
Pupil & Instr. Services	595,895	584,995	557,649	546,675
General & Building Adm. Serv.	2,210,906	2,093,794	2,051,424	1,921,528
Business and Central Services	896,558	885,969	856,453	848,716
Food Service Program	315,025	340,107	(3,379)	11,832
Interest/fees, other	246,916	271,587	246,916	271,587
Total	<u>9,024,048</u>	<u>8,775,735</u>	<u>7,891,524</u>	<u>7,686,389</u>

* Total cost of all governmental activities was \$9M. (Table #4)

* The net cost of governmental activities (\$7.9M) was financed by general revenues, which are primarily made up of property taxes (\$3.2M) and general state aid (\$4.7M). Miscellaneous and investment earnings accounted for \$92,347. In addition, District operations were subsidized by \$1,132,524 which was collected through direct fees and contributions/grants.

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

Fund 10 budget was approved with a deficit of \$5,165. The actual results for the year show a surplus of \$28,058. The variance is due to actual revenues exceeding the budget by \$14,679 and expenditures being under the budget by \$18,544.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

Fund Balances :

- The District shows a total for all fund balances of \$3.9M as of year end. (See Note #8).
- \$2.2M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short term operations. The Fund 10 fund balance is 28% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating and allows the District to respond to non-recurring economic needs.
- \$1.5M in the Special Revenue Trust Fund (Fund 21) is reserved for maintenance and operation of the aquatic/fitness center.
- \$125,877 in the Debt Service Fund (Fund 39) is reserved to make October interest payment on long-term debt.
- \$15,129 is reserved in the food service and community service programs for future expenditures.

Governmental Activities:

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

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

Capital Asset and Debt Administration:

Capital Assets

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

Long-Term Debt

- At year-end, the District had \$5.6M 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, 2009

Decisions and Developments that will Impact the Future of the District

- The State of Wisconsin has a history of budget deficits. Since the state budget currently funds two thirds of the cost of K-12 education, local school districts, including Iola-Scandinavia, are concerned that the future funding level may be negatively impacted.
- The teachers' union contract expired June 30, 2009 and renewal of this contract will have an impact on the District's operating budget.
- 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 July 1, 2009, the District will be required to recognize a liability in the statement of net assets for any post-employment benefits owed to District employees. During FY 2005, the District established a pension benefit trust for funding purposes and engaged an actuary to compute the liability based on the current employee census. The District to date has funded \$696,181 of the actuarial accrued liability of \$2,775,751. This is an aidable cost under the current equalization aid formula. Governmental accounting standards require periodic re-valuations of the liability based on a changing employee census. See Note 15 for further information.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 3,321,655
Taxes receivable	1,062,255
Accounts receivable	861
Interest receivable	11,661
Due from other governments	121,152
Prepaid items	19,910
Total Current Assets	<u>4,537,494</u>
NONCURRENT ASSETS	
Capital assets	16,139,484
Less: Accumulated depreciation	<u>5,710,273</u>
Net Capital Assets	<u>10,429,211</u>
Total Assets	<u>14,966,705</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	703,087
Current portion of long-term obligations	<u>400,000</u>
Total Current Liabilities	<u>1,103,087</u>
NONCURRENT LIABILITIES	
Noncurrent portion of long-term obligations	<u>5,200,000</u>
Total Liabilities	<u>6,303,087</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,829,211
Restricted	1,690,966
Unrestricted	<u>2,143,441</u>
Total Net Assets	<u>\$ 8,663,618</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 3,481,351	\$ 197,715	\$ 78,934	\$ (3,204,702)
Vocational	277,237	2,837	-	(274,400)
Special education	558,599	6,225	265,557	(286,817)
Other	441,561	25,019	-	(416,542)
Total Instruction	<u>4,758,748</u>	<u>231,796</u>	<u>344,491</u>	<u>(4,182,461)</u>
Support Services				
Pupil services	311,375	-	1,773	(309,602)
Instructional support services	284,520	-	36,473	(248,047)
Administration	1,125,807	156,195	1,181	(968,431)
Buildings and grounds	1,085,099	2,106	-	(1,082,993)
Pupil transportation	328,958	-	29,405	(299,553)
Other support services	268,245	-	-	(268,245)
Interest and fees	246,916	-	-	(246,916)
Food service	315,025	197,945	120,459	3,379
Community service	14,538	10,700	-	(3,838)
Depreciation-unallocated*	284,817	-	-	(284,817)
Total Support Services	<u>4,265,300</u>	<u>366,946</u>	<u>189,291</u>	<u>(3,709,063)</u>
Total Activities	<u>\$ 9,024,048</u>	<u>\$ 598,742</u>	<u>\$ 533,782</u>	<u>(7,891,524)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				2,567,957
Debt service				610,000
Community service				2,000
Other				36,970
State and federal aids not restricted to specific functions:				
General				4,695,043
Investment Income				75,077
Miscellaneous				17,270
Total General Revenues				<u>8,004,317</u>
Change in Net Assets				112,793
NET ASSETS-BEGINNING OF YEAR				<u>8,550,825</u>
NET ASSETS-END OF YEAR				<u>\$ 8,663,618</u>

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

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue Trust Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,649,878	\$ 1,538,299	\$ -	\$ 125,877	\$ 7,601	\$ 3,321,655
Taxes receivable	1,062,255	-	-	-	-	1,062,255
Accounts receivable	773	-	-	-	88	861
Interest receivable	-	11,661	-	-	-	11,661
Due from other funds	-	-	38,011	-	23,173	61,184
Due from other governments	101,511	-	19,641	-	-	121,152
Other current assets	19,910	-	-	-	-	19,910
TOTAL ASSETS	<u>\$ 2,834,327</u>	<u>\$ 1,549,960</u>	<u>\$ 57,652</u>	<u>\$ 125,877</u>	<u>\$ 30,862</u>	<u>\$ 4,598,678</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 45,755	\$ -	\$ 367	\$ -	\$ 19	\$ 46,141
Accrued salaries and wages	270,936	-	28,552	-	7,375	306,863
Payroll taxes and withholdings	262,223	-	28,733	-	8,339	299,295
Due to other funds	61,184	-	-	-	-	61,184
Total Liabilities	<u>640,098</u>	<u>-</u>	<u>57,652</u>	<u>-</u>	<u>15,733</u>	<u>713,483</u>
Fund Balances						
Reserved	-	1,549,960	-	125,877	15,129	1,690,966
Unreserved, reported in						
General fund	2,194,229	-	-	-	-	2,194,229
Total Fund Balances	<u>2,194,229</u>	<u>1,549,960</u>	<u>-</u>	<u>125,877</u>	<u>15,129</u>	<u>3,885,195</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,834,327</u>	<u>\$ 1,549,960</u>	<u>\$ 57,652</u>	<u>\$ 125,877</u>	<u>\$ 30,862</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,429,211

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

General obligation debt	(5,600,000)
Accrued interest on long-term debt	<u>(50,788)</u>

NET ASSETS **\$ 8,663,618**

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, 2009

	General Fund	Special Revenue Trust Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local	\$2,783,437	\$ 61,489	\$ -	\$ 612,985	\$ 211,145	\$ 3,669,056
Interdistrict	187,995	-	18,159	-	-	206,154
Intermediate	-	-	123,185	-	-	123,185
State	4,264,719	-	130,438	-	5,933	4,401,090
Federal	615,060	-	-	-	114,526	729,586
Other	6,570	-	-	-	-	6,570
Total Revenues	<u>7,857,781</u>	<u>61,489</u>	<u>271,782</u>	<u>612,985</u>	<u>331,604</u>	<u>9,135,641</u>
EXPENDITURES						
Instruction						
Regular	3,494,305	-	-	-	-	3,494,305
Special education	-	-	555,653	-	-	555,653
Vocational	284,762	-	-	-	-	284,762
Other	438,554	-	-	-	-	438,554
Total instruction	<u>4,217,621</u>	<u>-</u>	<u>555,653</u>	<u>-</u>	<u>-</u>	<u>4,773,274</u>
Support Services						
Pupil services	257,640	-	54,478	-	-	312,118
Instructional support services	254,136	-	31,292	-	-	285,428
Administration	1,117,731	-	-	-	-	1,117,731
Buildings and grounds	1,066,764	-	-	-	-	1,066,764
Pupil transportation	329,999	-	18,452	-	1,350	349,801
Other support services	260,157	-	13,402	-	-	273,559
Debt service						
Principal	-	-	-	375,000	-	375,000
Interest and fees	380	-	-	252,092	-	252,472
Food service	-	-	-	-	312,117	312,117
Total support services	<u>3,286,807</u>	<u>-</u>	<u>117,624</u>	<u>627,092</u>	<u>313,467</u>	<u>4,344,990</u>
Community services	-	-	-	-	14,538	14,538
Total Expenditures	<u>7,504,428</u>	<u>-</u>	<u>673,277</u>	<u>627,092</u>	<u>328,005</u>	<u>9,132,802</u>
Excess (deficiency) of revenues over expenditures	353,353	61,489	(401,495)	(14,107)	3,599	2,839
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	1,200	-	-	-	-	1,200
Operating transfers in	75,000	-	401,495	-	-	476,495
Operating transfers out	(401,495)	(75,000)	-	-	-	(476,495)
Net Change in Fund Balances	28,058	(13,511)	-	(14,107)	3,599	4,039
FUND BALANCES-BEGINNING OF YEAR	<u>2,166,171</u>	<u>1,563,471</u>	<u>-</u>	<u>139,984</u>	<u>11,530</u>	<u>3,881,156</u>
FUND BALANCES-END OF YEAR	<u>\$2,194,229</u>	<u>\$1,549,960</u>	<u>\$ -</u>	<u>\$ 125,877</u>	<u>\$ 15,129</u>	<u>\$ 3,885,195</u>

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, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 4,039

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	184,619	
Depreciation expense reported in the statement of activities	(456,421)	
Net book value of assets disposed	-	(271,802)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 375,000

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. 5,556

CHANGE IN NET ASSETS \$ 112,793

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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 2,805,707	\$ 2,805,707	\$ 2,783,437	\$ (22,270)
Interdistrict	150,000	160,731	187,995	27,264
Intermediate	6,000	6,000	-	(6,000)
State	4,788,543	4,788,543	4,264,719	(523,824)
Federal	80,821	80,821	615,060	534,239
Other	2,500	2,500	6,570	4,070
Total Revenues	<u>7,833,571</u>	<u>7,844,302</u>	<u>7,857,781</u>	<u>13,479</u>
EXPENDITURES				
Instruction				
Regular	3,369,153	3,298,205	3,299,222	(1,017)
Special education	-	-	-	-
Vocational	288,474	288,474	284,762	3,712
Other	437,461	441,972	438,554	3,418
Total instruction	<u>4,095,088</u>	<u>4,028,651</u>	<u>4,022,538</u>	<u>6,113</u>
Support Services				
Pupil services	257,290	260,000	257,640	2,360
Instructional support services	251,430	255,000	254,136	864
Administration	1,112,109	1,113,977	1,117,731	(3,754)
Buildings and grounds	988,714	1,066,850	1,066,764	86
Pupil transportation	348,766	327,850	329,999	(2,149)
Other support services	270,264	272,514	259,938	12,576
Debt service				
Interest and fees	600	600	380	220
Total support services	<u>3,229,173</u>	<u>3,296,791</u>	<u>3,286,588</u>	<u>10,203</u>
Non-program				
General tuition payments	176,475	195,805	195,083	722
Other non-program	-	220	219	1
Total non-program	<u>176,475</u>	<u>196,025</u>	<u>195,302</u>	<u>723</u>
Total Expenditures	<u>7,500,736</u>	<u>7,521,467</u>	<u>7,504,428</u>	<u>17,039</u>
Excess of revenues over expenditures	332,835	322,835	353,353	30,518
OTHER FINANCING USES				
Sale of capital assets	-	-	1,200	1,200
Transfer from other funds	75,000	75,000	75,000	-
Transfer to other funds	(413,000)	(403,000)	(401,495)	1,505
Net Change in Fund Balance	(5,165)	(5,165)	28,058	33,223
FUND BALANCES-BEGINNING OF YEAR	2,166,171	2,166,171	2,166,171	-
FUND BALANCES-END OF YEAR	<u>\$ 2,161,006</u>	<u>\$ 2,161,006</u>	<u>\$ 2,194,229</u>	<u>\$ 33,223</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interdistrict	\$ 7,000	\$ 7,000	\$ 18,159	\$ 11,159
Intermediate	111,000	111,000	123,185	12,185
State	121,000	121,000	130,438	9,438
Other	-	-	-	-
Total Revenues	<u>239,000</u>	<u>239,000</u>	<u>271,782</u>	<u>32,782</u>
EXPENDITURES				
Instruction				
Special education	525,883	525,883	555,653	(29,770)
Total instruction	<u>525,883</u>	<u>525,883</u>	<u>555,653</u>	<u>(29,770)</u>
Support Services				
Pupil services	54,335	54,335	54,478	(143)
Instructional support services	31,418	31,418	31,292	126
Pupil transportation	20,364	20,364	18,452	1,912
Other support services	12,000	12,000	13,402	(1,402)
Total support services	<u>118,117</u>	<u>118,117</u>	<u>117,624</u>	<u>493</u>
Non-program				
Other non-program	-	-	-	-
Total Expenditures	<u>644,000</u>	<u>644,000</u>	<u>673,277</u>	<u>(29,277)</u>
Excess (deficiency) of revenues over expenditures	(405,000)	(405,000)	(401,495)	3,505
OTHER FINANCING SOURCES				
Transfer from general fund	405,000	405,000	401,495	(3,505)
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trust	Employee Benefit Trust	Agency
ASSETS			
Cash and investments	\$ 47,681	\$ 696,181	\$ 84,237
Interest receivable	512	-	-
Total Assets	<u>\$ 48,193</u>	<u>\$ 696,181</u>	<u>\$ 84,237</u>
LIABILITIES			
Due to student groups	\$ -	\$ -	\$ 84,237
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 84,237</u>
NET ASSETS	<u>\$ 48,193</u>	<u>\$ 696,181</u>	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Contributions	\$ 6,000	\$ 203,816
Investment earnings	1,733	17,037
Total additions	<u>7,733</u>	<u>220,853</u>
DEDUCTIONS		
Benefits	<u>8,000</u>	<u>128,983</u>
Change in Net Assets	(267)	91,870
NET ASSETS-BEGINNING OF YEAR	<u>48,460</u>	<u>604,311</u>
NET ASSETS-END OF YEAR	<u><u>\$ 48,193</u></u>	<u><u>\$ 696,181</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA
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June 30, 2009

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June 30, 2009

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SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. CHANGES IN ACCOUNTING METHODS AND BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

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.

C. BASIS OF PRESENTATION

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

Fund Financial Statements (continued)

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

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

GOVERNMENTAL ACTIVITIES

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

General Fund

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

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).

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

Permanent Funds

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

FIDUCIARY FUNDS (Not included in district-wide statements)

Private-Purpose Trust Funds

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

Agency Funds

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

Major Funds

The District reports the following major governmental funds:

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

Non-major Funds

The District reports the following non-major funds:

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

Fiduciary Funds

The District reports the following fiduciary funds:

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

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 – 2008 tax roll:

Lien date and levy date	October, 2008
Tax bills mailed	December, 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	July 31, 2009
Personal property taxes in full	January 31, 2009
Tax sale 2007 delinquent real estate taxes	October, 2012

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

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

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

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

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

E. MEASUREMENT FOCUS

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

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

F. INVENTORIES

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. LONG-TERM OBLIGATIONS

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

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

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

H. CAPITAL ASSETS

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERFUND RECEIVABLES AND PAYABLES

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

J. BUDGETS

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

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

K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

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

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

Vacation days are not carried over from year to year.

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

N. OTHER ASSETS

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

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

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

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

Fund Statements

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

R. USE OF ESTIMATES

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 – CASH AND INVESTMENTS

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

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

The District's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the District or its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department or agent in the District's name, or uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the District's name.

	Category			Total	Carrying Amount
	1	2	3		
Local and area banks	\$ 1,502,795	\$ -	\$ 1,439,693	\$ 2,942,488	\$2,825,258
Federal agencies	450,000	-	-	450,000	450,000
	\$ 1,952,795	\$ -	\$ 1,439,693	\$ 3,392,488	
Mid America Pension Trust					49,773
Wisconsin Local Government Investment Pool					824,723
Total Deposits and Investments					\$4,149,754
Per statement of net assets					\$3,321,655
Per statement of net assets – fiduciary funds:					
Private-Purpose Trust					47,681
Employee Benefit Trust					696,181
Agency					84,237
Total					\$4,149,754

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 – CASH AND INVESTMENTS (continued)

The District had no significant type of investments during the year not included in the above schedule.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of District accounting funds is allocated to the general fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. Bank accounts and the local government investment pool 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 organizations. This coverage has not been considered in computing the amounts in Category 1 above.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At year-end, the fair value of the District's share of the LGIP's assets were substantially equal to the amount reported above.

The Mid America Pension Trust fund is invested in a group annuity contract that guarantees a three per cent minimum rate of return.

A portion of the investment in the Wisconsin Investment Series Cooperative is invested in a cash management account which is not insured or guaranteed by the FDIC.

Fluctuating cash flows during the year due to tax collections, receipt of state aids, and borrowings may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District does not have a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The State of Wisconsin investment pool is not rated.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Capital assets not being depreciated				
Sites	\$ 190,331	\$ -	\$ -	\$ 190,331
Capital assets being depreciated				
Site improvements	208,155	7,778	-	215,933
Buildings and improvements	13,504,030	-	-	13,504,030
Furniture and equipment	2,091,610	176,841	(39,261)	2,229,190
Total Capital Assets Being Depreciated	<u>15,803,795</u>	<u>184,619</u>	<u>(39,261)</u>	<u>15,949,153</u>
Less: Accumulated depreciation for				
Site improvements	(87,906)	(9,633)	-	(97,539)
Buildings and improvements	(3,766,633)	(275,184)	-	(4,041,817)
Furniture and equipment	(1,438,574)	(171,604)	39,261	(1,570,917)
Total Accumulated Depreciation	<u>(5,293,113)</u>	<u>(456,421)</u>	<u>39,261</u>	<u>(5,710,273)</u>
Net Capital Assets	<u>\$ 10,701,013</u>	<u>\$(271,802)</u>	<u>\$ -</u>	<u>\$ 10,429,211</u>

Depreciation expense was charged to functions as follows:

Instruction	
Regular	21,171
Special education	2,946
Vocational	3,543
Other	3,832
Support services	
Pupil services	747
Instructional support services	2,079
Administration	20,869
Buildings and grounds	26,113
Pupil transportation	59,896
Other support services	26,687
Food service	3,721
Unallocated	284,817
Total Depreciation Expense	<u>\$ 456,421</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 3 – CAPITAL ASSETS (continued)

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

	General Fund	Food Service Fund
Instruction		
Regular	\$ 34,125	\$ -
Vocational	11,068	
Other	825	-
Pupil services	1,490	-
Instructional support services	2,987	-
Administration	12,793	-
Buildings and grounds	7,778	-
Pupil transportation	80,739	-
Food service	-	813
Other support services	32,001	-
	<u>\$ 183,806</u>	<u>\$ 813</u>
Totals	<u>\$ 183,806</u>	<u>\$ 813</u>

NOTE 4 – LONG-TERM OBLIGATIONS

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

	Balance 7/1/2008	Increases	Decreases	Balance 6/30/2009	Amounts Due Within One Year
Bonds, Notes and Loans Payable					
General obligation debt	\$5,975,000	\$ -	\$ 375,000	\$ 5,600,000	\$ 400,000
Total Long-Term Liabilities	<u>\$5,975,000</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 5,600,000</u>	<u>\$ 400,000</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 4 – LONG-TERM OBLIGATIONS (continued)

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	Balance Outstanding 6/30/2009
General Obligation Debt:					
Refunding Bonds	5/1/2000	4/1/2020	6.35-6.4%	\$ 7,155,000	\$ 350,000
	10/7/2002	4/1/2020	3.0-4.3%	5,550,000	5,250,000
Total General Obligation Debt					5,600,000
Total Governmental Activities Long-Term Obligations					\$5,600,000

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

Year	Principal	Interest	Total
2010	\$ 400,000	\$ 229,562	\$ 629,562
2011	425,000	205,462	630,462
2012	445,000	189,524	634,524
2013	465,000	172,838	637,838
2014	480,000	156,098	636,098
2015-2019	2,760,000	483,710	3,243,710
2020	625,000	26,876	651,876
Totals	\$ 5,600,000	\$ 1,464,070	\$ 7,064,070

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed ten percent of the equalized value of taxable property within the District's jurisdiction. The debt limit at year-end was \$41,991,621. Total general obligation debt outstanding at year-end was \$5,600,000.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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:

<u>Year Ending June 30</u>	
2010	\$ 12,161
2011	12,161
2012	12,161
2013	12,161
2014	<u>11,148</u>
Total	<u>\$ 59,792</u>

Lease expense was \$1,013 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 (“System”), a cost-sharing multiple-employer defined benefit public employee retirement system (“PERS”). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General/Teacher/General Educational Support Personnel category are required by statute to contribute 5.2% of their salary to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the System for the year ended June 30, 2009 was \$3,967,990, the employer's total payroll was \$4,318,071. The total required contribution for the year ended June 30, 2008 was \$406,261. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ended June 30, 2008 and 2007 were \$406,261 and \$393,251, respectively, equal to the required contributions for each year.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final Average Earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990, and no longer actively employed on April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

NOTE 7 – GOVERNMENTAL ACTIVITIES NET ASSETS

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

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 10,429,211
Less: related long-term debt outstanding	(5,600,000)
Total Invested in Capital Assets	<u>4,829,211</u>
Restricted	
Debt service	125,877
Special revenue trust	1,549,960
Food service program	7,528
Community service program	7,601
Total Restricted	<u>1,690,966</u>
Unrestricted	<u>2,143,441</u>
Total Governmental Activities Net Assets	<u>\$ 8,663,618</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 – GOVERNMENTAL FUND BALANCES

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

Reserved	
Major Funds	
Debt Service fund	\$ 125,877
Special Revenue Trust fund	1,549,960
Nonmajor Funds	
Food Service fund	7,528
Community Service fund	7,601
Total Reserved Fund Balances	<u>1,690,966</u>
Unreserved	
Major Funds	
General Fund	
Designated	
Working capital	2,194,229
Total Unreserved Fund Balances	<u>2,194,229</u>
Total Governmental Fund Balances	<u>\$ 3,885,195</u>

An operating transfer of \$401,495 was made from the general fund to the special education fund to cover an operating deficit in that fund. An operating transfer of \$75,000 was made from the special revenue trust fund to the general fund for operating expenses.

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>\$ 10,429,211</u>
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net assets.

Bonds, notes and loan payable	\$ 5,600,000
Accrued interest	<u>50,788</u>
Combined Adjustment	<u>\$ 5,650,788</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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	\$ 56,344
Ending	<u>(50,788)</u>
Decrease	<u>\$ 5,556</u>

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

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

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Instruction-regular	\$ 1,017
Administration	3,754
Pupil transportation	2,149
Special Education Fund:	
Instruction	29,770
Pupil services	143
Instructional support services	1,402

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.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

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 employer's contribution is funded on an actuarially determined basis. The actuarial method and assumptions used were as follows:

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

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

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

Actuarial Cost Method: Projected Unit Credit.

Measurement Date: June 1, 2008

Economic Assumptions

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

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

Healthcare Cost Trend Rate:

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

Salary Increases:

- 3% per annum

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 15 - POST EMPLOYMENT BENEFITS (continued)

Demographic Assumptions

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

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

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

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

Withdrawal rates during the selected period:

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

The number of plan participants as of the measurement date was 73. The actuarial accrued liability was \$2,775,751, the actual contribution was \$150,000 and the annual required contribution is \$283,999. The assets available are \$696,181, the balance in the District's Employee Benefit Trust Fund.

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	\$ -	\$ 61,184
Special Education Fund	38,011	-
Food Service Fund	23,173	-
Totals	<u>\$ 61,184</u>	<u>\$ 61,184</u>

The balances in the special education and food service funds are a result of the activity in the shared checking account with the general fund.

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 17 - EFFECT ON NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS:

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension* is effective for the District for 2010.

SCHOOL DISTRICT OF IOLA SCANDINAVIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009**

	Food Service	Community Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ 7,601	\$ 7,601
Accounts receivable	88	-	88
Due from other funds	23,173	-	23,173
TOTAL ASSETS	<u>\$ 23,261</u>	<u>\$ 7,601</u>	<u>\$ 30,862</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 19	\$ -	\$ 19
Accrued salaries and wages	7,375	-	7,375
Payroll taxes and withholdings	8,339	-	8,339
Total Liabilities	<u>15,733</u>	<u>-</u>	<u>15,733</u>
Fund Balances			
Reserved	7,528	7,601	15,129
Total Fund Balances	<u>7,528</u>	<u>7,601</u>	<u>15,129</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,261</u>	<u>\$ 7,601</u>	<u>\$ 30,862</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS
For the Year ended June 30, 2009**

	Food Service	Community Service	Total Nonmajor Governmental Funds
REVENUES			
Local	\$ 197,945	\$ 13,200	\$ 211,145
State	5,933	-	5,933
Federal	114,526	-	114,526
Total Revenues	<u>318,404</u>	<u>13,200</u>	<u>331,604</u>
 Support Services			
Pupil transportation	-	1,350	1,350
Food service	312,117	-	312,117
Total support services	<u>312,117</u>	<u>1,350</u>	<u>313,467</u>
 Community services	-	14,538	14,538
 Total Expenditures	<u>312,117</u>	<u>15,888</u>	<u>328,005</u>
 Excess (deficiency) of revenues over expenditures	6,287	(2,688)	3,599
 OTHER FINANCING SOURCES			
Operating transfers in (out)	-	-	-
 Net Change in Fund Balance	6,287	(2,688)	3,599
 FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>1,241</u>	<u>10,289</u>	<u>11,530</u>
 FUND BALANCES-END OF YEAR	<u><u>\$ 7,528</u></u>	<u><u>\$ 7,601</u></u>	<u><u>\$ 15,129</u></u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2009

	<u>Balance</u> <u>07/01/2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/2009</u>
Assets - Cash and investments	\$ 88,034	\$ 280,283	\$ (284,080)	\$ 84,237
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 88,034</u>	<u>\$ 280,283</u>	<u>\$ (284,080)</u>	<u>\$ 84,237</u>
Liabilities - Due to student organizations	<u>\$ 88,034</u>	<u>\$ 280,283</u>	<u>\$ (284,080)</u>	<u>\$ 84,237</u>

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009**

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	\$ -	\$ 40,475	\$ 12,105	\$ 52,580	\$ 52,580
Title II-A	84.367	-	19,350	6,685	26,035	26,035
Title II-D	84.318	-	175	302	477	477
Title IV-A	84.186	-	-	1,773	1,773	1,773
Title V-A	84.298	(354)	354	-	-	-
ARRA-Fiscal Stabilization Fund	84.394	-	534,195	-	534,195	534,195
CESA 5						
Individual With Disabilities Educ Act	84.027	(22,916)	89,958	19,641	86,683	86,683
U.S. DEPT OF HEALTH & HUMAN SERVICES						
CESA 5						
Medical Assistance	93.778	-	15,021	-	15,021	15,021
U.S. DEPARTMENT OF AGRICULTURE						
State of Wisconsin-Department of Public Instruction						
Food Distribution - Commodities	10.550	-	22,088	-	22,088	22,088
National Breakfast Program	10.553	(135)	8,420	-	8,285	8,285
National School Lunch Program	10.555	(926)	85,079	-	84,153	84,153
TOTAL FEDERAL AWARDS		\$ (24,331)	\$ 815,115	\$ 40,506	\$ 831,290	\$ 831,290

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, 2009**

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	\$ -	\$ 130,438	\$ -	\$ 130,438	\$ 130,438
Participant in Package Programs:						
CESA # 5		-	21,481	-	21,481	21,481
At Waupaca Schools		(7,643)	19,577	-	11,934	11,934
Total Handicapped Program		(7,643)	171,496	-	163,853	163,853
School Lunch Aid Program	255.102	-	4,320	-	4,320	4,320
Common School Fund Library Aid	255.103	-	35,996	-	35,996	35,996
General Equalization	255.201	(74,455)	4,152,884	76,405	4,154,834	4,154,834
Pupil Transportation	255.107	-	29,405	-	29,405	29,405
School Breakfast Aid Program	255.344	-	1,613	-	1,613	1,613
Mentoring Initial Educators	255.355	-	1,500	-	1,500	1,500
Payment In Lieu of Taxes	-	-	36,970	-	36,970	36,970
Computer Aid	-	(5,529)	5,529	6,014	6,014	6,014
Total Wisconsin Department of Public Instruction		(87,627)	4,439,713	82,419	4,434,505	4,434,505
TOTAL STATE AWARDS		\$ (87,627)	\$ 4,439,713	\$ 82,419	\$ 4,434,505	\$ 4,434,505

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, 2009

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

2008-2009 eligible costs under the State Special Education Program are \$449,242.

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

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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Iola-Scandinavia ("District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

Accounting Workshop SC

Accounting Workshop, SC
October 21, 2009



ACCOUNTING WORKSHOP, SC

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

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

Compliance

We have audited the compliance of the School District of Iola-Scandinavia ("District") with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended June 30, 2009. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 09-1 to be a significant deficiency in internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 to be a material weakness.

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

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

Accounting Workshop SC

Accounting Workshop, SC
October 21, 2009

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009**

Section I - Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs

<u> CFDA Number </u> 84.394	<u> Name of Federal Program or Cluster </u> ARRA-State Fiscal Stabilization Fund
--	---

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

SCHOOL DISTRICT OF IOLA-SCANDINAVIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

State Awards

Internal control over financial reporting:

Material weakness identified? x yes no

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

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

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

Identification of major state programs

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

Section II - Financial Statement Findings

09-1 Segregation of Accounting Duties

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

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.

Section III - Federal and State Award Findings and Questioned Costs

See item 09-1 under financial statement findings.