

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2011

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**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2011

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## Independent Auditors' Report

To the District Board  
Monona Grove School District  
Monona, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monona Grove School District ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position 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 our report dated November 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The financial information listed in the table of contents as other supplemental information, and the accompanying schedules of expenditures of federal awards and of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal 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 financial statements. The financial information listed in the table of contents as other supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

As discussed in note 1.J to the financial statements, the District adopted provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

November 30, 2011  
Milwaukee, Wisconsin

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011  
(Unaudited)

To the Board of Education  
Monona Grove School District

The discussion and analysis of the Monona Grove School District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The assets of the District, exceeded liabilities at the close of fiscal 2011 by \$7,480,223 (*net assets*). For the year, net assets increased by \$496,124.

Total governmental wide revenue was \$43,301,417, including \$24,406,849 of property taxes, \$12,870,172 of unrestricted federal and state aid, and \$2,806,825 of charges for services. Total governmental wide expenditures were \$42,805,293 including \$23,209,795 for direct instruction.

The following events took place during fiscal 2011.

- At the close of fiscal year 2011, a new Agreement was ratified with the MGEA (teachers) that covers 2009-'12. 2010-2011 was the second year of a ratified Collective Bargaining Agreement with the support staff groups represented by AFSCME (Council 40-Local 60).
- On December 21, 2010, the Board of Education voted to consolidate Maywood Elementary and Winnequah Elementary into a PK-5 school located at the Winnequah Elementary site.
- The District's General Fund balance increased by \$904,267 at the close of the fiscal year. The total General Fund Balance as of June 30, 2010 is \$6,554,414. The General Fund Balance, as of June 30, 2011 as a percentage of expense is 18.5%.
- The Board of Education on June 11, 2008 approved an Irrevocable Employee Benefit Trust for post-retirement benefits. Marshall and Ilsley Trust Company, N.A. is the Trust's Registered Investor/Administrator/Custodian of Trust Assets-"Investment Agent". The District is the Grantor and Trustee of the Trust. Investments in the Trust are restricted to conservative. During 2010-2011 the District contributed \$879,687 to the Trust and made withdrawals of \$793,178 out of the Trust. The district also experienced 17 MGEA (teacher), 1 Administrator and 1 Support Staff member retirements at the end of the 2010-2011 school year.
- In 2010-2011 the District continued operating the Together 4 Kids-four-year old Kindergarten program. The community-based program was offered in three childcare facilities located within the District, as well as at Maywood Elementary School and Taylor Prairie Elementary School, the district has seen an increase in enrollment in this program from 187 pupils to 221pupils in 2010-2011.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL HIGHLIGHTS (Continued)**

- The District experienced a decrease in student membership (DPI Official 3<sup>rd</sup> Friday in Sept. Count-Revenue Limit Calculation) of 19 full-time equivalent (FTE) students over the prior year. The District experienced a significant growth in students attending the District under the Open Enrollment Program. The District allowed approximately 200 students to attend under the Open Enrollment Program; while approximately 47 resident students opted to attend other public school districts. The District will continue to monitor student membership; the District utilized the Applied Population Lab (U.W.-Madison) to aid in forecasting membership.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

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. The 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 remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

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.

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

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

	Fund Financial Statements		
	District-wide Statements	Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets.</li> <li>• Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet.</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets.</li> <li>• Statement of Changes in Fiduciary Net Assets.</li> </ul>
Basis of accounting and measurement focus	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial 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 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 additions or deductions during the year, regardless of when cash is received and paid.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**DISTRICT WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Assets reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are divided into one category:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1, below, provides a summary of the District's net assets for the year ended June 30, 2011 compared to 2010. The District's combined net assets increased by \$496,124 (7.10%) to \$7,480,223.

**Table 1**  
**Condensed Statement of Net Assets**  
*(In thousands of dollars)*

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and other assets	\$ 15,905	\$ 14,440
Capital assets	60,123	61,322
Total assets	<u>76,028</u>	<u>75,762</u>
<b>Liabilities</b>		
Long-term liabilities	57,950	63,152
Other liabilities	10,598	5,626
Total liabilities	<u>68,548</u>	<u>68,778</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	8,566	7,090
Restricted	1,769	1,887
Unrestricted	(2,855)	(1,993)
Total net assets	<u>\$ 7,480</u>	<u>\$ 6,984</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE** (Continued)

Table 2 provides summarized operating results and their impact on net assets. The governmental type activities contributed to the District's increased financial position.

**Table 2**  
**Changes in Net Assets from Operating Results**  
*(In thousands of dollars)*

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,807	\$ 2,573
Operating grants & contributions	3,033	3,714
General revenues		
Property taxes	24,407	23,084
State and federal unrestricted aid	12,870	13,036
Other	184	(72)
Total revenues	<u>43,301</u>	<u>42,335</u>
<b>Expenses</b>		
Instruction	23,210	23,480
Pupil & instructional services	3,499	4,013
Administration & finance	3,654	3,441
Maintenance & operations	4,889	5,088
Transportation	1,337	1,578
Interest on debt	2,988	2,793
Other	3,228	2,732
Total Expenses	<u>42,805</u>	<u>43,125</u>
<b>Increase (decrease) in net assets</b>	\$ <u>496</u>	\$ <u>(790)</u>

The District relies primarily on property taxes (56.4% of total governmental revenues), and state and federal unrestricted aid (29.7%) to fund governmental activities.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE** (Continued)

Table 3 presents the cost of the seven major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**  
*(In thousands of dollars)*

<b>Expenses</b>	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 23,210	\$ 23,480	\$ (18,867)	\$ (18,769)
Pupil & instructional services	3,499	4,013	(3,394)	(3,915)
Administration & finance	3,654	3,441	(3,654)	(3,441)
Maintenance & operations	4,889	5,088	(4,884)	(5,085)
Transportation	1,337	1,578	(1,251)	(1,489)
Interest on debt	2,988	2,793	(2,988)	(2,793)
Other	3,228	2,732	(1,927)	(1,346)
Total Expenses	<u>\$ 42,805</u>	<u>\$ 43,125</u>	<u>\$ (36,965)</u>	<u>\$ (36,838)</u>

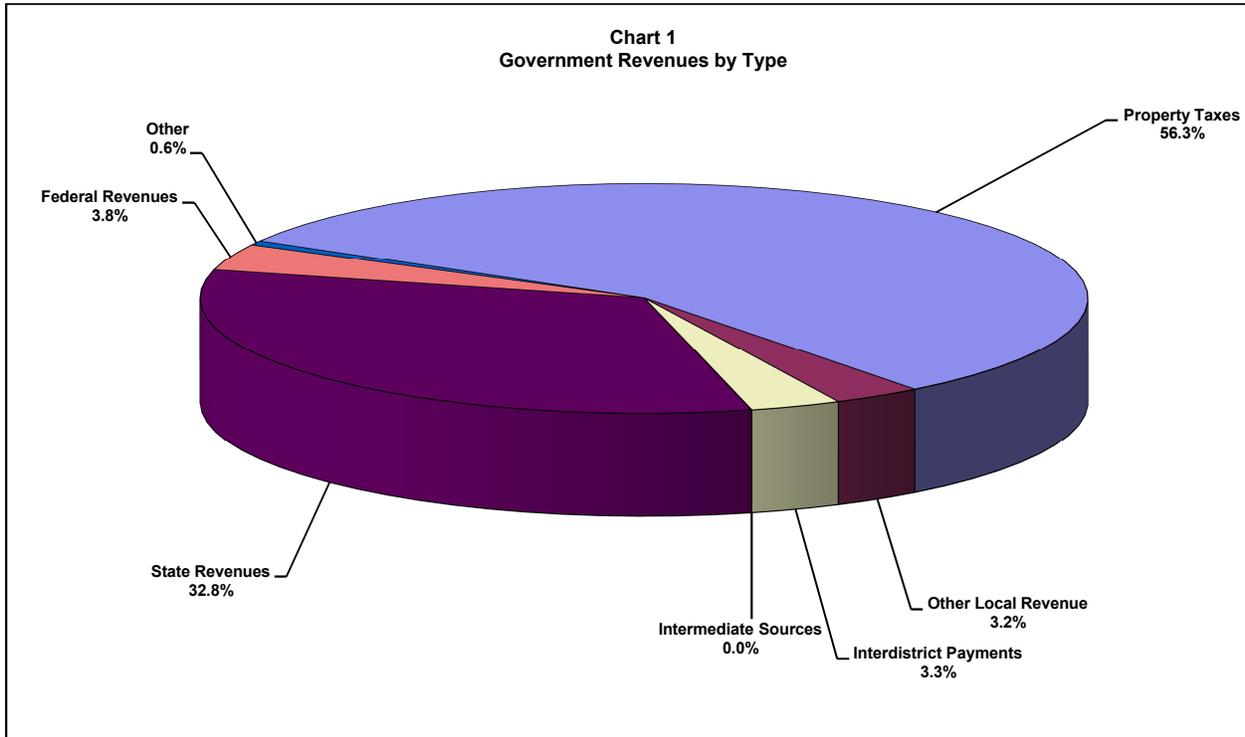
The cost of all governmental activities this year was \$42,805,293. Individuals who directly participated or benefited from a program offering paid for \$2,806,825 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,033,191. The net cost of governmental activities (\$36,965,277) was financed by property taxes, \$24,406,849 and federal and state unrestricted aid, \$12,870,172.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The composition of governmental revenues by source is illustrated below in Chart 1.

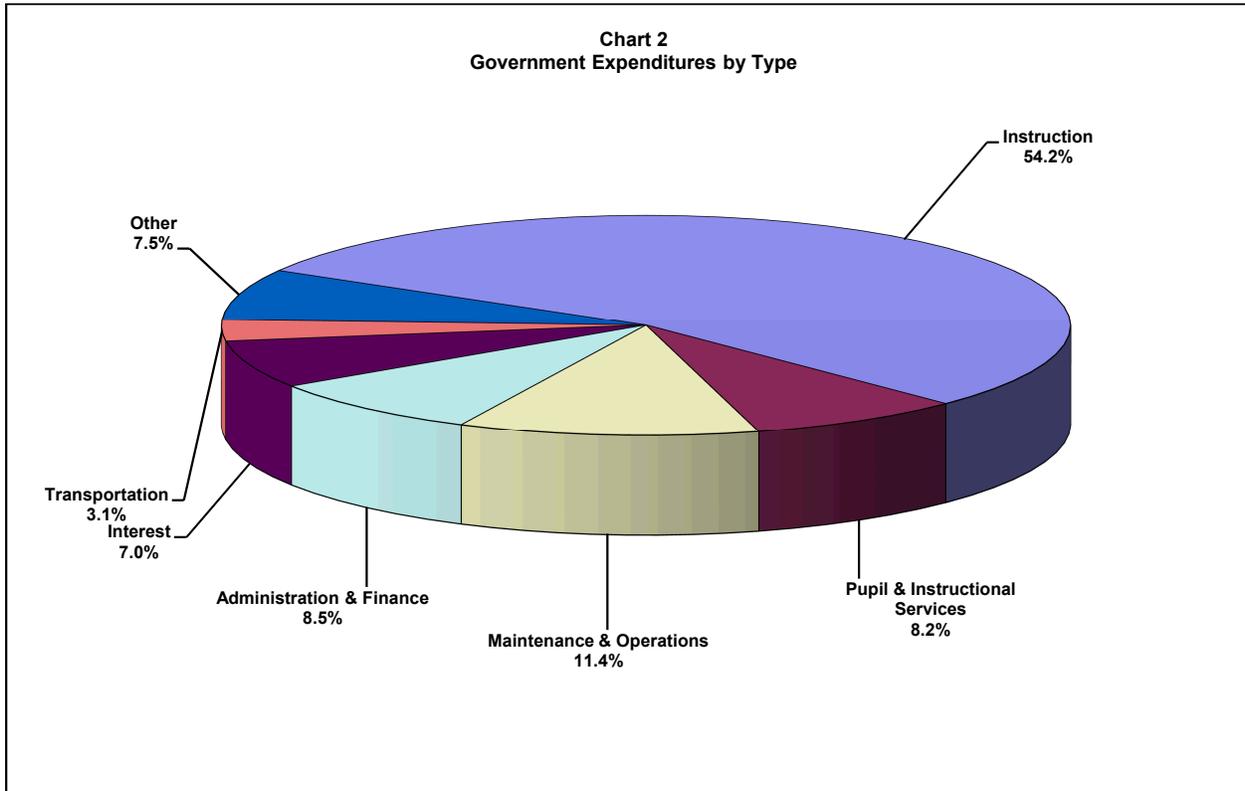


**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The composition of governmental expenditures by type is illustrated below in Chart 2.



**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The District completed the year with a total governmental fund balance of \$8,443,633 up from last year's ending fund balance of \$7,619,874.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

While the District's original budget for the general fund anticipated that expenditures would exceed revenues and other financing sources by \$101,228, the actual results at June 30, 2011 had revenues and other financing sources in excess of expenditures by \$904,267.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2011, the District had invested \$79,298,679 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$19,175,228. Asset acquisitions for governmental activities totaled \$386,573. The District recognized depreciation expense of \$1,479,176. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

**Table 4**  
**Capital Assets**  
*(Net of depreciation, in thousands of dollars)*

	<u>2011</u>	<u>2010</u>
Land	\$ 1,854	\$ 1,854
Buildings	63,844	63,844
Furniture & equipment	6,772	6,588
Construction in progress	6,828	6,807
Accumulated depreciation	<u>(19,175)</u>	<u>(17,771)</u>
Net capital assets	<u>\$ 60,123</u>	<u>\$ 61,322</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-term Debt**

At year-end the District had \$62,067,185 in notes payable and other long-term debt outstanding – a decrease of \$1,198,184 from fiscal 2010. Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

**Table 5**  
**Outstanding Long-term Obligations**  
*(In thousands of dollars)*

	<u>2011</u>	<u>2010</u>
General obligation debt	\$ 52,292	\$ 56,606
Capital leases	1,231	1,560
Post-employment benefits	7,382	3,075
Compensated absences	1,162	712
Net long-term obligations	<u>\$ 62,067</u>	<u>\$ 61,953</u>

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 annual debt service payments.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Currently known circumstances that will impact the District's financial status in the future are:

- PMA Financial Network, Inc. has been hired to provide the District with 5-year budget forecasts. The forecasting model has indicated that the District will need to reduce the operational budget by nearly one million dollars each of the next five years. (the model only goes out 5 years). Addressing the budget short fall must continue to be a focal item of attention in the District. With the reductions to school funding at the state level, there is limited optimism that anything dramatically would change the need to make significant budget cuts in the next several years.
- Moody's Investment Service maintained a solid A1 rating for the District three years ago. Moody's believed that the district's tax base would continue to expand at a healthy rate due to the District's favorable location adjacent to Madison and land available for development in the Village of Cottage Grove. The District will need to continually monitor the student enrollment and reduce the budget accordingly. The District did see a decrease in student enrollment this past September (Official DPI Third Friday Count). The District continues to address concerns with respect to the two communities that are not contiguous to each other and to provide equitable, yet cost efficient, educational offerings. There is approximately eight miles of the City of Madison that separates Monona from Cottage Grove. The District continues to see many non-resident students apply for Open Enrollment into the District. There is more than triple the number of students that attend Monona Grove Schools under the Open Enrollment Program, than have requested to attend other Districts'.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Management Discussion & Analysis**  
June 30, 2011

**FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)**

- The District has been able to voluntarily ratify Labor Agreements with union staff voluntarily the past several bargains rounds. In light Wisconsin Act 10, Collective Bargaining only exists over Base Wage which is tied to CPI-UI.
- Wisconsin Act 32 reduced the District per pupil revenue limit by \$605.57 per pupil for the 2011-2012 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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, contact Jerrud Rossing, Director of Business Services, Monona Grove School District, and (608) 221-7660 ext. 324, 5301 Monona Drive, Monona, WI 53716.

**BASIC FINANCIAL STATEMENTS**

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Statement of Net Assets**  
June 30, 2011

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and investments	\$ 5,964,269
Taxes receivable	7,400,467
Accounts receivable	57,811
Due from employee benefit trust fund	793,178
Due from other governments	1,523,899
Prepaid expense	62,407
<b>Total current assets</b>	<b>15,802,031</b>
<b>Noncurrent assets</b>	
Land and construction in progress	8,681,843
Capital assets (net of accumulated depreciation)	51,441,608
Net capital assets	60,123,451
Deferred debt issuance costs	102,485
<b>Total noncurrent assets</b>	<b>60,225,936</b>
<b>Total assets</b>	<b>\$ 76,027,967</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Short-term notes payable	\$ 4,900,000
Accounts payable	79,920
Withholdings and related district fringes payable	756,728
Accrued interest	433,111
Accrued salaries and related items	1,525,703
Claimed vested benefits currently payable	130
Deferred revenues	55,898
Current portion of long-term debt	3,011,758
<b>Total current liabilities</b>	<b>10,763,248</b>
<b>Noncurrent liabilities</b>	
Long-term debt, net of current portion	50,511,393
Unamortized debt premium and loss on refinancing	(1,270,931)
Accrued liability for post-employment benefits	7,381,787
Other long-term liabilities	1,162,247
<b>Total noncurrent liabilities</b>	<b>57,784,496</b>
<b>Total liabilities</b>	<b>68,547,744</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	8,565,726
Restricted for:	
Debt service	1,604,171
Capital projects	119,274
Other activities	45,674
Unrestricted	(2,854,622)
<b>Total net assets</b>	<b>7,480,223</b>
<b>Total liabilities and net assets</b>	<b>\$ 76,027,967</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues and</u>
			<u>Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 15,834,148	\$ 1,512,174	\$ 585,831	\$ (13,736,143)
Special education instruction	4,421,621	189,452	1,833,981	(2,398,188)
Vocational instruction	1,224,821	---	---	(1,224,821)
Other instruction	1,729,205	156,090	65,669	(1,507,446)
Total instruction	<u>23,209,795</u>	<u>1,857,716</u>	<u>2,485,481</u>	<u>(18,866,598)</u>
Support services:				
Pupil services	1,498,085	---	---	(1,498,085)
Instructional staff services	2,001,257	---	104,713	(1,896,544)
Administration services	3,653,526	---	---	(3,653,526)
Operation and maintenance of plant	4,889,455	5,000	---	(4,884,455)
Pupil transportation	1,337,457	25,115	61,144	(1,251,198)
Other support services	1,559,913	---	---	(1,559,913)
Community services	228,568	114,202	---	(114,366)
Food service	1,439,481	804,792	381,853	(252,836)
Interest	2,987,756	---	---	(2,987,756)
Total support services	<u>19,595,498</u>	<u>949,109</u>	<u>547,710</u>	<u>(18,098,679)</u>
<b>Total school district</b>	<u>\$ 42,805,293</u>	<u>\$ 2,806,825</u>	<u>\$ 3,033,191</u>	<u>(36,965,277)</u>

**General revenues:**

Taxes:	
Property taxes, levied for general purposes	18,814,881
Property taxes, levied for debt service	5,401,968
Property taxes, levied for specific purposes	190,000
Federal and state aid not restricted to specific purposes	
General	12,007,079
Other	863,093
Interest and investment earnings	3,717
Loss on disposal of assets	1,476
Miscellaneous	<u>179,187</u>
Changes in net assets	496,124
Net assets - beginning of year	<u>6,984,099</u>
Net assets - end of year	<u>\$ 7,480,223</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 4,010,645	\$ 1,604,171	\$ 349,453	\$ 5,964,269
Taxes receivable	7,400,467	---	---	7,400,467
Accounts receivable	54,432	---	3,379	57,811
Due from employee benefit trust fund	793,178	---	---	793,178
Due from other governments	1,514,345	---	9,554	1,523,899
Prepaid expense	61,572	---	835	62,407
<b>Total assets</b>	<b>\$ 13,834,639</b>	<b>\$ 1,604,171</b>	<b>\$ 363,221</b>	<b>\$ 15,802,031</b>
 <b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Short-term notes payable	\$ 4,900,000	\$ ---	\$ ---	\$ 4,900,000
Accounts payable	76,221	---	3,699	79,920
Withholdings and related district fringes payable	725,602	---	31,126	756,728
Accrued interest	40,019	---	---	40,019
Accrued payroll	1,525,703	---	---	1,525,703
Claimed vested benefits currently payable	---	---	130	130
Deferred revenues	12,680	---	43,218	55,898
<b>Total liabilities</b>	<b>7,280,225</b>	<b>---</b>	<b>78,173</b>	<b>7,358,398</b>
 <b>Fund Balances:</b>				
Nonspendable	61,572	---	835	62,407
Restricted	---	1,604,171	164,948	1,769,119
Assigned	---	---	119,265	119,265
Unassigned	6,492,842	---	---	6,492,842
<b>Total fund balances</b>	<b>6,554,414</b>	<b>1,604,171</b>	<b>285,048</b>	<b>8,443,633</b>
 <b>Total liabilities and fund balances</b>	<b>\$ 13,834,639</b>	<b>\$ 1,604,171</b>	<b>\$ 363,221</b>	<b>\$ 15,802,031</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets**  
June 30, 2011

**Total fund balances - governmental funds** \$ 8,443,633

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 as assets in governmental funds:

Cost of the assets	\$ 79,298,679	
Accumulated depreciation	<u>(19,175,228)</u>	
		60,123,451

Debt issuance costs are deferred in the statement of net assets and amortized over the life of the debt; however, they are not amortized in the governmental funds. The balance of deferred debt issuance costs is reported as an asset in the statement of net assets. 102,485

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	50,240,000	
Notes payable	1,369,000	
State trust fund loan payable	677,706	
Teach loans payable	5,816	
Capital leases payable	1,230,629	
Post-employment benefit liability	7,381,787	
Compensated absences	1,162,247	
Unamortized debt premium and loss on refinancing	<u>(1,270,931)</u>	
		(60,796,254)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds (393,092)

**Total net assets - governmental activities** \$ 7,480,223

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 19,228,508	\$ 5,402,298	\$ 1,173,841	\$ 25,804,647
Interdistrict payments within Wisconsin	1,432,433	---	---	1,432,433
Intermediate sources	6,231	---	---	6,231
State	14,162,519	---	81,992	14,244,511
Federal	1,275,705	---	357,228	1,632,933
Other	267,889	343	527	268,759
Total revenues	36,373,285	5,402,641	1,613,588	43,389,514
<b>Expenditures:</b>				
Instruction:				
Current	20,748,994	---	52,199	20,801,193
Interdistrict	315,191	---	---	315,191
Capital outlay	292,354	---	---	292,354
Support Services:				
Current	13,477,829	---	1,650,413	15,128,242
Capital outlay	73,240	---	20,979	94,219
Debt service	604,508	5,893,011	---	6,497,519
Total expenditures	35,512,116	5,893,011	1,723,591	43,128,718
Excess (deficiency) of revenues over expenditures	861,169	(490,370)	(110,003)	260,796
<b>Other Financing Sources (uses):</b>				
Operating transfers in	---	50,000	125,737	175,737
Operating transfers out	(175,737)	---	---	(175,737)
Face value of refunding debt issued	---	3,795,000	---	3,795,000
Premium on debt issuance	---	99,128	---	99,128
Debt proceeds paid to escrow agent	---	(3,550,000)	---	(3,550,000)
Capital lease proceeds	200,521	---	---	200,521
Proceeds from sale of equipment	18,314	---	---	18,314
Total other financing sources	43,098	394,128	125,737	562,963
Net change in fund balances	904,267	(96,242)	15,734	823,759
Fund Balances - Beginning of year	5,650,147	1,700,413	269,314	7,619,874
Fund Balances - End of year	\$ 6,554,414	\$ 1,604,171	\$ 285,048	\$ 8,443,633

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2011

<b>al net change in fund balances - governmental funds</b>		<b>\$ 823,759</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.		
Depreciation expense	\$ (1,479,176)	
Capital outlays	<u>386,573</u>	(1,092,603)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		
		(200,521)
In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown.		
		(106,067)
Amortization of debt issuance costs is recorded in statement of activities; however, this is reported as an expense at the time of issuance in the governmental funds.		
New debt costs		68,136
Amortization of debt costs		(7,287)
Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.		
		(3,795,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bonds payable	6,450,000	
Notes payable	50,000	
State trust fund loan payable	207,765	
Teach loans payable	2,702	
Capital leases	<u>463,429</u>	7,173,896
Post-employment benefits are expended in the governmental funds as they are being paid but this does not include any benefits earned. In the statement of activities the change in the liability for unfunded post-employment benefits is recorded.		
		(1,282,954)
Amortization of premium on debt issuance and loss on refunding reduces the balance of the respective liability. The amortization is an expenditure in the statement of net assets, but is not shown in the governmental funds.		
New premium on debt issuance		(99,128)
Amortization of premium on debt issuance		11,871
Amortization of loss on refunding		(184,644)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
		(810,782)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		<u>(2,552)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 496,124</u></b>

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**

Monona, Wisconsin

**Statement of Fiduciary Net Assets**

June 30, 2011

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
<b>Assets:</b>			
Cash and investments	\$ 500	\$ 1,109,289	\$ 189,684
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Due to student groups	\$ ---	\$ ---	\$ 189,684
Due to other funds	---	793,178	---
<b>Total liabilities</b>	---	793,178	189,684
<b>Net Assets:</b>			
Restricted	500	316,111	---
<b>Total liabilities and net assets</b>	\$ 500	\$ 1,109,289	\$ 189,684

**Statement of Changes in Fiduciary Net Assets**

Year Ended June 30, 2011

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
<b>Additions:</b>		
Interest	\$ ---	\$ 39
Contributions to employee benefit trust	---	879,687
<b>Total additions</b>	---	879,726
<b>Deductions:</b>		
Trust fund disbursements	---	793,178
Change in net assets	---	86,548
Net assets - June 30, 2010	500	229,563
Net assets - June 30, 2011	\$ 500	\$ 316,111

The accompanying notes to financial statements  
are an integral part of these statements.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Monona Grove School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

**B. Component Units**

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-Wide Statements**

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation (continued)**

**Fund Financial Statements**

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

**Debt Service Fund** – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund. The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund.

**D. Measurement Focus and Basis of Accounting**

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies (continued)**

**E. Deposits and Investments**

The District's cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

**F. Receivables and Payables**

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**G. Interfund Transactions**

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2011 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Debt payments	Debt Service	General	\$ 50,000
Support food service program	Food Service	General	125,737
			<u>\$ 175,737</u>
Due to/from:			
Refund of excess contribution	General	Employee Benefit Trusts	\$ <u>793,178</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies (continued)**

**H. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings and improvements	\$ 2,000	Straight-line	7 - 50 years
Equipment and furniture	2,000	Straight-line	5 - 20 years

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance**

The GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies (continued)**

**J. Fund Balance (continued)**

- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or their designee may assign amounts for specific purposes.
- *Unassigned* - all other spendable amounts.

**Order of Fund Balance Spending Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When the expenditure is incurred for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board, has provided otherwise in its commitment or assignment actions. The Superintendent or designee is delegated to authority to assign, but not commit fund balance resources for a specific intended purpose.

**Minimum Fund Balance Policy**

In the general fund, the Board of Education strives to maintain an unassigned fund balance to be equivalent to at least 15% but not greater than 25% of the anticipated general fund expenditure budget for the subsequent fiscal year.

**K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

Unused accumulated employee sick and vacation days are paid out upon retirement or termination of employment not to exceed a maximum number of days. The District accrued the vacation and sick leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported. The District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

**L. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**M. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as expenditures would result in more than one year's cost being recorded.

**N. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 30, 2011). There were no subsequent events that required recognition or disclosure.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**2. Cash and Investments**

Cash and equivalents and investments as shown on the District's statement of net assets are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
Cash and equivalents and investments:		
Petty cash	\$ 1,817	
Demand deposits	2,281,618	Custodial
Wisconsin Investment Series Cooperative	<u>4,980,307</u>	Interest rate and credit
Total cash and equivalents and investments	<u>\$ 7,263,742</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of net assets:	
Governmental activities	\$ 5,964,269
Statement of fiduciary net assets:	
Private Purpose Trust	500
Employee Benefit Trust	1,109,289
Agency Fund	<u>189,684</u>
Total cash and equivalents	<u>\$ 7,263,742</u>

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.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**2. Cash and Investments (continued)**

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012; after which, non-interest bearing accounts will be insured in the amount of \$250,000. Deposits are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. 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 districts.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits and was \$2,281,618 at June 30, 2011 and the bank's carrying value was \$2,298,733, of which \$1,123,332 was fully insured and \$1,175,401 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

**Custodial Risk – Investments:** Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

**3. Short-Term Notes Payable**

Short-term notes payable at June 30, 2011 are as follows:

<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
\$ 4,900,000	\$ 4,900,000	\$ (4,900,000)	\$ 4,900,000

The note was dated October 28, 2010, due October 17, 2011, with an interest rate of 1.25%. Interest for the year ended June 30, 2011 was \$65,179. The note is for general district operation.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**4. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,854,141	\$ ---	\$ ---	\$ 1,854,141
Construction in progress	6,806,724	20,978	---	6,827,702
Total not being depreciated	8,660,865	20,978	---	8,681,843
Capital assets being depreciated				
Buildings	63,844,150	---	---	63,844,150
Equipment	5,155,168	298,787	(181,225)	5,272,730
Vehicles	1,433,148	66,808	---	1,499,956
Total being depreciated	70,432,466	365,595	(181,225)	70,616,836
Less accumulated depreciation	(17,771,210)	(1,479,176)	75,158	(19,175,228)
Total being depreciated, net	52,661,256	(1,113,581)	(106,067)	51,441,608
Governmental activity capital assets, net	\$ <u>61,322,121</u>	\$ <u>(1,092,603)</u>	\$ <u>(106,067)</u>	\$ <u>60,123,451</u>

Depreciation was expensed to the following functions for the Government activities:

Regular instruction	\$ 151,455
Vocational education	1,465
Other instruction	33,832
Pupil services	141,907
Instructional staff services	9,905
Administrative services	10,137
Operation and maintenance of plant	915,207
Pupil transportation	166,433
Food service	28,797
Other support services	20,038
Total depreciation	\$ <u>1,479,176</u>

**5. Long-Term Liabilities**

Long-term liabilities of the District are as follows:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amounts Due Within One Year</u>
General obligation debt					
G.O. Bonds	\$ 52,895,000	\$ 3,795,000	\$ (6,450,000)	\$ 50,240,000	\$ 2,420,000
G.O. Notes	1,419,000	---	(50,000)	1,369,000	55,000
State Trust Fund Loan	885,471	---	(207,765)	677,706	216,516
Teach loan	8,518	---	(2,702)	5,816	2,837
Total general obligation debt	55,207,989	3,795,000	(6,710,467)	52,292,522	2,694,353
Capital leases	1,493,537	200,521	(463,429)	1,230,629	317,405
Compensated absences	351,465	810,782	---	1,162,247	---
Total long-term liabilities	\$ <u>57,052,991</u>	\$ <u>4,806,303</u>	\$ <u>(7,173,896)</u>	\$ <u>54,685,398</u>	\$ <u>3,011,758</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**5. Long-Term Liabilities (continued)**

Total interest paid and expensed (including accrual) for the year ended June 30, 2011 on long-term debt was \$2,348,780 and \$2,351,332 respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2011 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Dates of Maturity</u>	<u>Issued Amount</u>	<u>Balance 6/30/2011</u>
G.O. Refunding Bonds	01/15/05	3.00%	05/01/19	\$ 22,925,000	\$ 18,545,000
G.O. Refunding Bonds	11/01/02	3.00%	05/01/22	4,655,000	375,000
G.O. Refunding Bonds	04/01/11	2.25% - 3.50%	05/01/22	3,795,000	3,795,000
G.O. Refunding Bonds	11/01/06	4.00% - 5.00%	05/01/26	29,150,000	27,525,000
G.O. Notes	09/18/09	0.00%	09/15/19	729,000	729,000
G.O. Notes	09/23/09	2.50% - 3.50%	05/01/16	730,000	640,000
State Trust Fund Loan	07/17/09	4.25%	03/15/14	1,100,000	677,706
Teach Loan	06/17/03	5.00%	03/01/13	49,007	5,816
					<u>\$ 52,292,522</u>

During the year ended June 30, 2011, the District paid a portion of an outstanding G.O. Bond through an advanced refunding. The principal payments refinanced totaled \$3,550,000. As a result of the advance refunding, the District increased its total future debt service requirements by \$147,417, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the cost of defeasance) of \$68,184.

The 2010 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,885,815,743. The legal debt limit and margin of indebtedness as of June 30, 2011, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,885,815,743)	\$ 188,581,574
Deduct long-term debt applicable to debt margin	<u>(52,292,522)</u>
Margin of indebtedness	<u>\$ 136,289,052</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2011 follow:

<u>Year Ended June 30,</u>	<u>G.O. Debt Principal</u>	<u>G.O. Debt Interest</u>	<u>Capital Lease Principal</u>	<u>Capital Lease Interest</u>	<u>Total</u>
2012	\$ 2,694,353	\$ 2,342,892	\$ 317,405	\$ 61,529	5,416,179
2013	3,003,776	2,232,858	360,376	44,769	5,641,779
2014	3,530,393	2,030,020	259,135	27,224	5,846,772
2015	3,665,000	1,798,771	163,469	15,006	5,642,246
2016	3,990,000	1,665,259	33,644	6,855	5,695,758
2017 - 2021	20,079,000	5,825,363	96,600	5,084	26,006,047
2022 - 2026	15,330,000	2,377,675	---	---	17,707,675
	<u>\$ 52,292,522</u>	<u>\$ 18,272,838</u>	<u>\$ 1,230,629</u>	<u>\$ 160,467</u>	<u>71,956,456</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**5. Long-Term Liabilities (continued)**

Certain outstanding debt of the District has been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts. The principal and interest amounts in escrow provide cash flows sufficient to meet the future debt service requirements as they become due. Accordingly, the trust account assets and liability for the defeased debt is not included in the District's financial statements. As of June 30, 2011, the remaining principal balance of the refunded issue totaled \$21,520,000.

**Qualified School Construction Bonds**

During fiscal year 2010, the District issued \$729,000 General Obligation Promissory Notes that were qualified Qualified School Construction Bonds as defined under the Internal Revenue Code and the stated interest rate is 0.00%. As part of the issuance of these Notes, the District covenants to comply with the applicable sections of the Internal Revenue Code.

**Premiums, Discounts, and Gains and Losses on Refundings**

Premiums and discounts on issuance, and gains and losses on refundings are recognized in the year in which they occur in the fund financial statements, but deferred and amortized using the straight-line method over the life of the debt issue in the government-wide statements.

Activity for the year ended June 30, 2011 is summarized as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Amortization</u> <u>Expense</u> <u>(Benefit)</u>	<u>Balance</u> <u>June 30, 2011</u>
Premiums on issuance	\$ 118,951	\$ 99,128	\$ (11,871)	\$ 206,208
Loss on refundings	(1,661,783)	---	184,644	(1,477,139)
	<u>\$ (1,542,832)</u>	<u>\$ 99,128</u>	<u>\$ 172,773</u>	<u>\$ (1,270,931)</u>

**6. Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2011:

<b>Fund 10:</b>	
Undifferentiated curriculum	\$ 480,042
Vocational curriculum	153,601
Co-Curricular activities	46,482
Pupil Services	2,493
School building administration	37,559
Central services	38,424
Insurance and judgments	74,492
Debt services	7,536
Other support services	116,973
Transfers to another fund	18,020
<b>Fund 27:</b>	
Special education curriculum	90,608

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**7. Fund Balances**

As of June 30, 2011, fund balance components consist of the following:

<b>General Fund:</b>	
Unassigned	\$ 6,492,842
Nonspendable:	
Prepaid expenditures	61,572
<b>Total General Fund</b>	<u>6,554,414</u>
<b>Debt Service Fund:</b>	
Restricted	\$ <u>1,604,171</u>
<b>Capital Projects Fund:</b>	
Restricted	\$ <u>119,274</u>
<b>Special Revenue Funds:</b>	
Nonspendable:	
Community service	
Prepaid expenditures	\$ 835
Restricted:	
Special revenue trust	45,674
Assigned:	
Community service	119,265
<b>Total Special Revenue Funds</b>	<u>\$ 165,774</u>

**8. Employee Retirement Plans**

All eligible District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (440 hours for teachers and educational support employees) are eligible to participate in the WRS. As of December 31, 2010, covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the Plan. Employers may make these contributions to the Plan on behalf of employees through June 30, 2011. 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 WRS for the year ended June 30, 2011 was \$18,468,451; the employer's total payroll was \$19,503,761. The total required contribution for the year ended June 30, 2011 was \$2,113,043, which consisted of \$926,075, or 5.0% of payroll from the employer and \$1,186,968, or 6.4% of payroll from employees. Total contributions for the year ending June 30, 2010 and 2009 were \$2,036,778 and \$1,927,331, respectively, equal to the required contributions for each year.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**8. Employee Retirement Plans (continued)**

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**9. Monona Grove School District Post-Employment Benefits Trust**

The Monona Grove School District Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's other postemployment benefits ("OPEB") liability relating to medical and dental insurance and retirement stipends. The trust does not require any employee or employer contributions. Employees participating in the OPEB benefit consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

Retirees	68
Active	434
Number of participating employees	<u>502</u>

For fiscal year 2011, the District contributed \$834,924 to eligible retirees. The District did not have an implicit rate subsidy.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan.

Annual required contribution	\$ 2,202,183
Interest on net OPEB obligation	335,435
Adjustment to annual required contribution	<u>(419,740)</u>
Annual OPEB cost (expense)	2,117,878
Contributions made	<u>(834,924)</u>
Increase in net OPEB obligation	1,282,954
Net OPEB obligation – beginning of year	<u>6,098,833</u>
Net OPEB obligation – end of year	<u>\$ 7,381,787</u>

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**9. Monona Grove School District Post-Employment Benefits Trust (continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 3,875,008	21%	\$ 3,075,481
2010	3,854,821	22%	6,098,833
2011	2,117,878	29%	7,381,787

As of July 1, 2010, the most recent actuarial valuation date, the plan was 1.23% percent funded. The actuarial accrued liability for benefits was \$18,633,316, and the actuarial value of assets was \$229,563, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,403,753.

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2010) can be found in the required supplementary information.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of employer contribution in the required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Actuarial valuation date	7/1/2010
Actuarial cost method	Unprojected unit credit (projected unit credit for pay-related benefits)
Amortization method	30 year (level dollar method)
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	5.5%
Projected payroll increases	3.0%
Medical care trend	10.0% (decreasing by 1.0% per year down to 5.0%)
Dental care trend	Level at 4.0%

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**10. Limitation on School District Revenues**

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. 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 referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

**11. Risk Management**

The Monona Grove School 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.

**12. Litigation**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2011, are not likely to have a material adverse impact on the District's financial position.

**13. Construction Commitment**

At June 30, 2011, the District had an uncompleted construction contract in the capital projects fund. The remaining commitment on this construction contract was approximately \$297,850.

**14. State Budget**

The State of Wisconsin 2011 – 2013 budget includes significant cuts in funding to school districts. The budget also provides areas for significant expenditure cuts for the districts. Due to this, the District will likely be experiencing decreases in state aids and expenditures during the next year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**

Monona, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Local	\$ 19,220,147	\$ 19,229,429	\$ 19,228,508	\$ (921)
Interdistrict payments within Wisconsin	1,489,868	1,489,868	1,432,433	(57,435)
Intermediate sources	7,700	7,700	6,231	(1,469)
State	14,264,630	14,266,435	14,162,519	(103,916)
Federal	1,269,623	1,335,292	1,275,705	(59,587)
Other	105,000	105,000	267,889	162,889
Total revenues	<u>36,356,968</u>	<u>36,433,724</u>	<u>36,373,285</u>	<u>(60,439)</u>
<b>Expenditures:</b>				
Instruction:				
Current	21,401,023	21,401,023	20,748,994	652,029
Interdistrict	379,633	379,633	315,191	64,442
Capital outlay	2,250	2,250	292,354	(290,104)
Support Services:				
Current	13,881,764	13,881,764	13,477,829	403,935
Capital outlay	269,727	269,727	73,240	196,487
Debt service	596,975	596,975	604,508	(7,533)
Total expenditures	<u>36,531,372</u>	<u>36,531,372</u>	<u>35,512,116</u>	<u>1,019,256</u>
Excess of revenues over expenditures	(174,404)	(97,648)	861,169	958,817
<b>Other Financing Sources (uses):</b>				
Operating transfers out	(100,000)	(100,000)	(175,737)	(75,737)
Capital lease proceeds	150,000	150,000	200,521	50,521
Proceeds from sale of equipment	23,176	23,176	18,314	(4,862)
Total other financing sources	<u>73,176</u>	<u>73,176</u>	<u>43,098</u>	<u>(30,078)</u>
Net change in fund balances	(101,228)	(24,472)	904,267	928,739
Fund Balances - Beginning of year	<u>5,650,147</u>	<u>5,650,147</u>	<u>5,650,147</u>	---
Fund Balances - End of year	<u>\$ 5,548,919</u>	<u>\$ 5,625,675</u>	<u>\$ 6,554,414</u>	<u>\$ 928,739</u>

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**  
Monona Grove, Wisconsin

**Schedule of Funding Progress**  
Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	N/A	\$ 30,603,293	\$ 30,603,293	0.00%	\$ 17,183,111	178.1%
July 1, 2010	\$ 229,563	\$ 18,633,316	\$ 18,403,753	1.23%	\$ 18,468,451	99.6%

1. The District is required to present the above information for the three most recent actuarial studies. The above-referenced studies were performed as of July 1, 2008 and July 1, 2010. Once there have been three actuarial studies completed, information pertaining to the three most recent actuarial studies will be presented.

2. The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**  
Year Ended June 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2009	\$ 3,875,008	\$ 799,527	20.63%
2010	3,912,925	831,469	21.25%
2011	2,202,183	834,924	37.91%

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2011

	<u>Special Revenue Funds</u>				
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets:</b>					
Cash and investments	\$ 45,724	\$ 67,247	\$ 117,208	\$ 119,274	\$ 349,453
Accounts receivable	---	---	3,379	---	3,379
Due from other governments	---	9,554	---	---	9,554
Prepaid expense	---	---	835	---	835
<b>Total assets</b>	<u>\$ 45,724</u>	<u>\$ 76,801</u>	<u>\$ 121,422</u>	<u>\$ 119,274</u>	<u>\$ 363,221</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 50	\$ 3,603	\$ 46	\$ ---	\$ 3,699
Withholdings and related district fringes payable	---	29,980	1,146	---	31,126
Claimed vested benefits currently payable	---	---	130	---	130
Deferred revenues	---	43,218	---	---	43,218
<b>Total liabilities</b>	<u>50</u>	<u>76,801</u>	<u>1,322</u>	<u>---</u>	<u>78,173</u>
<b>Fund Balances:</b>					
Nonspendable	---	---	835	---	835
Restricted	45,674	---	---	119,274	164,948
Assigned	---	---	119,265	---	119,265
<b>Total fund balances</b>	<u>45,674</u>	<u>---</u>	<u>120,100</u>	<u>119,274</u>	<u>285,048</u>
<b>Total liabilities and fund balances</b>	<u>\$ 45,724</u>	<u>\$ 76,801</u>	<u>\$ 121,422</u>	<u>\$ 119,274</u>	<u>\$ 363,221</u>

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2011

	<u>Special Revenue Funds</u>				
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues:</b>					
Local	\$ 64,792	\$ 804,792	\$ 304,202	\$ 55	\$ 1,173,841
State	---	24,625	---	57,367	81,992
Federal	---	357,228	---	---	357,228
Other	---	527	---	---	527
Total revenues	<u>64,792</u>	<u>1,187,172</u>	<u>304,202</u>	<u>57,422</u>	<u>1,613,588</u>
<b>Expenditures:</b>					
Instruction:					
Current	52,199	---	---	---	52,199
Support Services:					
Current	11,161	1,410,684	228,568	---	1,650,413
Capital outlay	---	---	---	20,979	20,979
Total expenditures	<u>63,360</u>	<u>1,410,684</u>	<u>228,568</u>	<u>20,979</u>	<u>1,723,591</u>
Excess (deficiency) of revenues over expenditures	1,432	(223,512)	75,634	36,443	(110,003)
<b>Other Financing Sources:</b>					
Operating transfers in	---	125,737	---	---	125,737
Net change in fund balances	<u>1,432</u>	<u>(97,775)</u>	<u>75,634</u>	<u>36,443</u>	<u>15,734</u>
Fund Balances - Beginning of year	<u>44,242</u>	<u>97,775</u>	<u>44,466</u>	<u>82,831</u>	<u>269,314</u>
Fund Balances - End of year	<u>\$ 45,674</u>	<u>\$ ---</u>	<u>\$ 120,100</u>	<u>\$ 119,274</u>	<u>\$ 285,048</u>

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**

Monona, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**

June 30, 2011

	<u>Balance</u> <u>06/30/10</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>06/30/11</u>
<b>Assets:</b>							
Cash and investments	\$ 190,259	\$	548,019	\$	548,594	\$	189,684
<b>Liabilities:</b>							
Due to student groups:							
Taylor Prairie School	\$ 4,318	\$	10,149	\$	11,477	\$	2,990
Cottage Grove School	4,580		17,407		18,950		3,037
Maywood School	7,530		6,177		7,491		6,216
Winnequah School	6,450		15,166		16,996		4,620
Glacial Drumlin School	46,234		113,367		107,835		51,766
Monona Grove High School	122,239		382,982		384,197		121,024
District-wide	(1,092)		2,771		1,648		31
<b>Total liabilities</b>	<u>\$ 190,259</u>	<u>\$</u>	<u>548,019</u>	<u>\$</u>	<u>548,594</u>	<u>\$</u>	<u>189,684</u>

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Expenditures of State Awards**  
Year Ended June 30, 2011

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>State I.D. Number</b>	<b>Accrued or (Deferred) Revenue at 7/1/10</b>	<b>Receipts</b>	<b>Expended</b>	<b>Accrued or (Deferred) Revenue at 6/30/11</b>
<b>WI Dept. of Public Instruction</b>					
Special education and school-age parents *	255.101	\$ ---	\$ 1,178,607	\$ 1,178,607	\$ ---
State school lunch aid	255.102	---	10,842	10,842	---
Common school fund library aid	255.103	---	104,713	104,713	---
Pupil transportation	255.107	---	61,144	61,144	---
Equalization aids	255.201	218,814	12,972,392	12,956,323	202,745
School breakfast program	255.344	---	13,783	13,783	---
Mentoring grants for initial educators	255.355	---	5,250	5,250	---
Passed through CESA #2					
Special education and school-age parents	255.101	---	4,204	4,204	---
<b>Total WI Dept. of Public Instruction</b>		<b>218,814</b>	<b>14,350,935</b>	<b>14,334,866</b>	<b>202,745</b>
<b>Project Lead the Way, Inc</b>					
Project Lead the Way	255.923	---	1,806	1,806	---
<b>Total</b>		<b>\$ 218,814</b>	<b>\$ 14,352,741</b>	<b>\$ 14,336,672</b>	<b>\$ 202,745</b>

\* Total DPI aidable expenditures for the year ended June 30, 2011 were \$4,578,924.

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2011

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>Federal Catalog Number</b>	<b>Accrued or (Deferred) Revenue at 7/1/10</b>	<b>Receipts</b>	<b>Expended</b>	<b>Accrued or (Deferred) Revenue at 6/30/11</b>
<b>U.S. Department of Agriculture</b>					
Passed through Wisconsin Department of Public Instruction:					
Food Service Aid - Nutrition Enhancement	10.500	\$ 3,407	\$ 3,407	\$ ---	\$ ---
<i>Child Nutrition Cluster:</i>					
Food Service Aid - Breakfast	10.553	13,050	90,942	81,036	3,144
Donated Commodities	10.555	---	63,534	63,534	---
Food Service Aid - Lunch	10.555	30,350	236,598	212,658	6,410
<i>Total Child Nutrition Cluster</i>		<u>43,400</u>	<u>391,074</u>	<u>357,228</u>	<u>9,554</u>
Total U.S. Department of Agriculture		46,807	394,481	357,228	9,554
<b>U.S. Department of Education</b>					
Passed through Wisconsin Department of Public Instruction:					
<i>Title I, Part A Cluster:</i>					
ESEA Title I-A Basic	84.010	55,273	144,088	167,755	78,940
ARRA - ESEA Title I-A	84.389	16,549	58,083	55,593	14,059
<i>Total Title I, Part A Cluster</i>		<u>71,822</u>	<u>202,171</u>	<u>223,348</u>	<u>92,999</u>
<i>Special Education Cluster:</i>					
IDEA Flow Through	84.027	127,030	493,095	472,584	106,519
IDEA Preschool Entitlement	84.173	5,835	14,925	11,795	2,705
ARRA - IDEA Flow Through	84.391	97,394	178,848	146,691	65,237
ARRA - IDEA Preschool Entitlement	84.392	1,456	14,972	20,100	6,584
<i>Total Special Education Cluster</i>		<u>231,715</u>	<u>701,840</u>	<u>651,170</u>	<u>181,045</u>
<i>Educational Technology State Grants Cluster</i>					
ESEA Title II-D Education Technology	84.318	1,826	1,826	---	---
ARRA - Title II-D Education Technology	84.386	663	---	59,567	60,230
<i>Total Educational Technology State Grants Cluster</i>		<u>2,489</u>	<u>1,826</u>	<u>59,567</u>	<u>60,230</u>
Title IV-A Safe and Drug Free Schools Act	84.186	5,436	5,436	---	---
ESEA V-B Charter Schools Federal Aid	84.282	---	155,840	169,794	13,954
ESEA Title II-A Teacher Principal Training	84.367	13,427	49,343	37,923	2,007
Total Passed through Wisconsin Department of Public Instruction		<u>324,889</u>	<u>1,116,456</u>	<u>1,141,802</u>	<u>350,235</u>
Carol White Physical Education Program	84.215	142,729	186,675	65,669	21,723
Passed through CESA #1					
IDEA Flow Through	84.027	---	1,914	1,914	---
Passed through CESA # 5					
Fund for the Improvement of Education	84.215	---	113	113	---
Passed through Mount Horeb Area School District					
Carl Perkins Grant	84.048	---	---	1,742	1,742
Passed through Stoughton School District					
ESEA Title III-A English Language Acquisition	84.365	---	---	16,798	16,798
Passed through Oregon School District					
ESEA Title III-A English Language Acquisition	84.365	8,637	8,637	---	---
Total U.S. Department of Education		<u>476,255</u>	<u>1,313,795</u>	<u>1,228,038</u>	<u>390,498</u>
<b>U.S. Department of Health and Human Services</b>					
Passed through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	---	68,234	68,234	---
Total		<u>\$ 523,062</u>	<u>\$ 1,776,510</u>	<u>\$ 1,653,500</u>	<u>\$ 400,052</u>

See Independent Auditors' Report.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Notes to Schedules of Expenditures of Federal and State Awards**  
June 30, 2011

**1. General**

The accompanying schedules of expenditures of federal and state awards represent the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal and state awards are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophy  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the School Board  
Monona Grove School District  
Monona, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monona Grove School District ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as items 2011-1 to be a significant deficiency.

## **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*.

We noted certain other matters that we have reported to management of the District in a separate letter dated November 30, 2011.

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 for the information of management, the audit committee, board of education and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 30, 2011  
Milwaukee, Wisconsin

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophey  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB  
Circular A-133 and State Single Audit Guidelines**

To the School Board  
Monona Grove School District  
Monona, Wisconsin

**Compliance**

We have audited Monona Grove School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and State Single Audit Guidelines that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. 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 the District's management. Our responsibility is to express an opinion on 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 State Single Audit Guidelines. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in according with OMB Circular A-133 and/or *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2011-4.

**Internal Control Over Compliance**

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 a major federal or state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in according with OMB Circular A-133 and State Single Audit Guidelines, 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.

## Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a significant deficiency.

The District's response to the finding 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 school board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

November 30, 2011  
Milwaukee, Wisconsin

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011

**Finding 2010-1 Financial Statement Preparation**

*Condition and Criteria:* We were requested to prepare the financial statements and footnote disclosures for the District, because the District currently does not internally possess the expertise to prepare these statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

*Effect:* Condition could result in the possibility of undetected errors and irregularities.

*Cause:* Management and the accounting staff of the District have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and training limits their ability to prepare GAAP basis financial statements.

*Auditor's recommendation:* We recommend management continue using external sources to prepare the financial statements if cost of training is not feasible to the District.

*District Response:* The District will continue to rely on the expertise of an accounting firm to prepare the financial statements.

*Status:* This condition has not changed as of June 30, 2011.

**Finding 2010-2 Special Education – 255.101 Special Education and School-Age Parents**

*Condition and Criteria:* The District claimed salary and benefits of employees who were not properly licensed per DPI's special education licensing requirements.

*Questioned Costs:* \$128,016 in salaries and benefits

*Effect:* The District charged disallowed costs to project 011.

*Cause:* This occurred because the District did not follow DPI's instructions regarding special education licensing requirements and allowable costs.

*Auditor's Recommendation:* The District should review DPI's report: *Valid Reporting and License Codes for Special Education Staff*

*District's Response:* The District is currently in the process of looking at process management in the area of payroll. As the District develops more solid processes, the district will be able to identify special education licensing and allowable cost.

*Status:* This condition did not exist as of June 30, 2011.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011

**Finding 2010-3 – Federal Grants with the compliance requirement of Equipment and Real Property Management**

*Condition and Criteria:* Federal award guidelines require that the District track assets purchased with federal funds to ensure that they are in compliance with equipment and real property management grant requirements. The District currently does not track assets that are purchased with federal grant dollars.

*Questioned Costs:* N/A

*Effect:* The District cannot ensure that they are in compliance with the equipment and real property grant requirements

*Cause:* The District is not tracking assets purchased with federal grant dollars.

*Recommendation:* We recommend that the District take an inventory of assets purchased with federal grant dollars and any future purchases to ensure that they are in compliance with the equipment and real property management grant requirements.

*District's Response:* All assets purchased with federal grant funds in the Monona Grove School District are used according to the rules associated with the particular grant. In the future these assets will be tagged so their purpose and funding source is easily identifiable.

*Status:* This condition was not corrected in the current fiscal year.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

**Section I - Summary of Auditors' Results**

**Financial Statements**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued:  | Unqualified |
| 2. Internal control over financial reporting:                                    |             |
| a. Material weaknesses identified?   | Yes         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements noted?                         | No          |

**Federal Awards**

- |   |             |
|---|-------------|
| 4. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | Yes         |
| b. Significant deficiencies identified not considered to be material weaknesses?                                      | Yes         |
| 5. Type of auditors' report issued on compliance for major programs:  | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes         |
| 7. Identification of major federal programs:  |             |
| <u>Child Nutrition Cluster:</u>   |             |
| > 10.553 – Food Service Aid – Breakfast   |             |
| > 10.555 – Donated Commodities  |             |
| > 10.555 – Food Service Aid – Lunch   |             |
| <u>Special Education Cluster:</u>   |             |
| > 84.027 – IDEA Flow Through  |             |
| > 84.173 – IDEA Preschool Entitlement   |             |
| > 84.391 – ARRA – IDEA Flow Through   |             |
| > 84.392 – ARRA – IDEA Preschool Entitlement  |             |
| 8. Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000  |
| 9. Auditee qualified as low-risk auditee?   | Yes         |

**State Awards**

- |  |             |
|--|-------------|
| 10. Internal control over financial reporting:                                   |             |
| a. Material weaknesses identified?   | Yes         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| 11. Type of auditors' report issued on compliance for major programs:            | Unqualified |
| 12. Any audit findings that are required to be reported?                         | Yes         |
| 13. Identification of major state programs:                                      |             |
| > 255.101 – Special Education and School-Age Parents                             |             |
| > 255.103 – Common School Library Aid  |             |
| > 255.201 – Equalization Aid   |             |

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

**Section II - Financial Statement Findings**

**Finding 2011-1 Financial Statement Preparation**

*Condition and Criteria:* We were requested to prepare the financial statements and footnote disclosures for the District, because the District currently does not internally possess the expertise to prepare these statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

*Effect:* Condition could result in the possibility of undetected errors and irregularities.

*Cause:* Management and the accounting staff of the District have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and training limits their ability to prepare GAAP basis financial statements.

*Auditor's recommendation:* We recommend management continue using external sources to prepare the financial statements if cost of training is not feasible to the District.

*District Response:* The District will continue to rely on the expertise of an accounting firm to prepare the financial statements, as the cost of training is not feasible to the District.

**Finding 2011-2 Material Adjusting Entries**

*Condition and Criteria:* Audit adjustments were required to prevent the District's financial statements from being materially misstated.

*Effect:* If the condition went uncorrected, the District's financial statements would materially misstated.

*Cause:* Inadequate controls in place to ensure the proper recording of all of the District's financial transactions in accordance with accounting principles generally accepted in the United States of America.

*Auditor's Recommendation:* We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

*Districts Response:* The District has implemented a system of reconciliation and review to reduce the number of adjusting journal entries.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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

**Finding 2011-3 Accrued Payroll Benefit Reconciliations**

*Condition and Criteria:* Accrued payroll benefits are not being reconciled on a monthly basis.

*Effect:* Possibility that accrued benefits are misclassified and recorded in improper departments and individual funds.

*Cause:* Inadequate controls in place to ensure the proper reconciliations are being prepared.

*Auditor's Recommendation:* We recommend that management establish more effective review and reconciliation policies and procedures.

*Districts Response:* The District will be implementing policies and procedures to have reconciliations prepared on a monthly basis.

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

**See Finding 2011-1 Financial Statement Preparation**

**See Finding 2011-2 Material Journal Entries**

**See Finding 2011-3 Accrued Payroll Benefit Reconciliations**

**Finding 2011-4 – Federal Grants with the compliance requirement of Equipment and Real Property Management**

*Condition and Criteria:* Federal award guidelines require that the District track assets purchased with federal funds to ensure that they are in compliance with equipment and real property management grant requirements. The District currently does not track assets that are purchased with federal grant dollars.

*Questioned Costs:* \$40,334 – purchase of Ford E350 Wheelchair accessible van

*Effect:* The District cannot ensure that they are in compliance with the equipment and real property grant requirements

*Cause:* The District is not tracking assets purchased with federal grant dollars.

*Recommendation:* We recommend that the District take an inventory of assets purchased with federal grant dollars and any future purchases to ensure that they are in compliance with the equipment and real property management grant requirements.

*District's Response:* All assets purchased with federal grant funds in the Monona Grove School District are used according to the rules associated with the particular grant. In the future these assets will be tagged so their purpose and funding source is easily identifiable.

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

**Section IV - Other Issues**

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No
  
2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:  
  
    Department of Public Instruction Yes
  
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes
  
4. Name and signature of partner 

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Brian J. Mechenich
  
5. Date of Report November 30, 2011