

**INDIANOLA COMMUNITY SCHOOL DISTRICT**

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**Independent Auditor's Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings and Questioned Costs**

**June 30, 2009**



**Shull**  
and Co. P.C.  
certified public accountants

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Indianola Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September 2008 Election)		
Grant Johnson	President	2008
Joe Royer	Vice President	2009
Dee Allen	Board Member	2008
Heather Hulen	Board Member	2008
Carolyn Langenwalter	Board Member	2009
Darren Heater	Board Member	2010
Cyd Dyer	Board Member	2010

**Board of Education**  
(After September 2008 Election)

Joe Royer	President	2009
Heather Hulen	Vice President	2011
Dee Allen	Board Member	2009
Carolyn Langenwalter	Board Member	2009
Darren Heater	Board Member	2010
Cyd Dyer	Board Member	2010
Grant Johnson	Board Member	2011

**School Officials**

Dr. Michael Teigland	Superintendent	2009
Darcy Moeller	District Secretary/Treasurer	2009
Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee, P.C.	Attorney	2009



# Shull

and Co. P.C.  
certified public accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indianola Community School District, Indianola Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indianola Community School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, 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 February 19, 2010 on our consideration of the Indianola Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Indianola Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Shull & Co., P.C.*

February 19, 2010

## **MANAGEMENT DISCUSSION & ANALYSIS**

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Management Discussion & Analysis

The Indianola Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

#### General Fund

- The state legislature approved a 4% increase to the 2008-09 district cost per pupil – an increase of \$213 per pupil from \$5,333 to \$5,546.
- In December 2008, the Governor declared a 1.5% across-the-board cut. The state funding for the Indianola Community School District decreased by \$210,452 as a result of the cut.
- The 2008-09 budget enrollment (Sept 07 head count) was 3,288.5—a decrease of 47.8 students. In 2007-08, the Indianola Community School District was the 28<sup>th</sup> largest Iowa school district out of 362 districts.
- The 2008-09 package settlement was 5.00% with the Indianola Education Association on 2.51% “new money.” Comparable increases were provided to all staff groups.
- The undesignated unreserved general fund balance decreased from \$2,672,561 in 2007-08 to \$1,993,293 in 2008-09. The solvency ratio decreased from 10.39% in 2007-08 to 7.28% in 2008-09. The solvency ratio is an indicator of a district's financial health. The Iowa Association of School Boards recommends a solvency ratio between 5% and 10%.
- Total taxable valuation of the district increased by 3.8%.
- The unspent balance of the district increased from \$4,707,466 to \$5,035,862.
- The 2008-09 special education deficit increased from \$86,389 to \$549,562.

#### Other

- The overall tax levy rate decreased from \$20.19/\$1,000 to \$20.05/\$1,000 to of assessed valuation.
- Total net assets of the district increased from \$22,329,755 to \$23,906,335.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.



## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Management Discussion & Analysis (Continued)

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

#### 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 net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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 financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, child care program, and the high school home construction program would be included here.

#### 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 specific sources of funding and spending on particular programs.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Management Discussion & Analysis (Continued)

- Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three 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 spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund; Capital Projects Fund and the Permanent Funds.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds(s), school nutrition, child care program and the high school home construction program.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the Elementary PTO Funds, Parent Activity Funds, and Teacher Social Funds.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net assets

The schedule below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Management Discussion & Analysis (Continued)

### Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		District		% Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 24,208,275	25,081,203	274,632	305,932	24,482,907	25,387,135	(3.6)
Capital assets	48,463,941	43,274,003	346,394	539,428	48,810,335	43,813,431	11.4
Total assets	<u>72,672,216</u>	<u>68,355,206</u>	<u>621,026</u>	<u>845,360</u>	<u>73,293,242</u>	<u>69,200,566</u>	<u>5.9</u>
Long-term liabilities	30,702,195	29,776,934	-	-	30,702,195	29,776,934	3.1
Other liabilities	18,428,037	16,692,722	256,675	401,155	18,684,712	17,093,877	9.3
Total liabilities	<u>49,130,232</u>	<u>46,469,656</u>	<u>256,675</u>	<u>401,155</u>	<u>49,386,907</u>	<u>46,870,811</u>	<u>5.7</u>
Net assets:							
Invested in capital							
assets, net of							
related debt	20,608,949	16,556,903	-	-	20,608,949	16,556,903	24.5
Restricted	1,384,098	626,461	66,982	101,608	1,451,080	728,069	99.3
Unrestricted	1,548,937	4,702,186	297,369	342,597	1,846,306	5,044,783	(63.4)
Total net assets	<u>\$ 23,541,984</u>	<u>21,885,550</u>	<u>364,351</u>	<u>444,205</u>	<u>23,906,335</u>	<u>22,329,755</u>	<u>7.1</u>

The District's combined net assets increased by 7.1%, or \$1,576,580 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

- Invested in capital assets, net of related debt increased \$4,052,046, or 24.5% over the prior year.
- Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$723,011, or 99.3% over the prior year.
- Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$3,198,477, or 73.4%.

The following schedule shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Management Discussion & Analysis (Continued)

	Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total District
Revenues			
Program revenues			
Charges for service	\$ 1,782,038	1,827,121	3,609,159
Operating grants, contributions and restricted interest	4,040,969	425,177	4,466,146
Capital grants, contributions and restricted interest	29,187	-	29,187
General revenues			
Property tax	13,486,986	-	13,486,986
Local option sales and services tax	1,881,768	-	1,881,768
Unrestricted state grants	13,458,982	-	13,458,982
Unrestricted interest on investment	121,262	2,207	123,469
Other general receipts	141,405	500,897	642,302
Transfers, net	(81,531)	81,531	-
Total receipts	<u>34,861,066</u>	<u>2,836,933</u>	<u>37,697,999</u>
Program expenses			
Governmental activities			
Instruction	21,426,585	-	21,426,585
Support services	8,814,927	-	8,814,927
Non-instructional programs	-	2,391,630	2,391,630
Other expenses	2,963,120	525,157	3,488,277
Total disbursements and transfers	<u>33,204,632</u>	<u>2,916,787</u>	<u>36,121,419</u>
Change in net assets	<u>\$ 1,656,434</u>	<u>(79,854)</u>	<u>1,576,580</u>

Property tax, local option sales and services tax, unrestricted state grants, unrestricted interest on investments and other general fund receipts account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$34,861,066 and expenses were \$33,204,632.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional program and other expenses.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Management Discussion & Analysis (Continued)

#### Total and Net Cost of Governmental Activities

	Total Cost of Seviles	Net Cost of Seviles
Instruction	\$ 21,426,585	17,065,801
Support services	8,814,927	8,463,951
Non-instructional programs	-	-
Other expenses	2,963,120	1,822,686
Totals	<u>\$ 33,204,632</u>	<u>27,352,438</u>

#### Business-Type Activities

Revenues of the District's business-type activity were \$2,836,933 and expenses were \$2,916,787. The District's business-type activities include the School Nutrition Fund, Child Care Program, Preschool Program and HS Home Construction Program. Revenues of these activities were comprised of charges for services, federal and state reimbursements and the sale of property.

#### INDIVIDUAL FUND ANALYSIS

As previously noted, the Indianola Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,839,197; a decrease from last year's ending fund balances of \$8,464,762.

#### Governmental Fund Highlights

The District's General Fund financial position is the product of many factors. The overall general fund balance decreased by \$573,943.

The Governmental Funds include a \$2,322,839 fund balance from the Local Option Sales Tax. This was the fifth year that the district collected revenues from the Local Option Sales Tax. The Governmental Funds also includes a \$28,409 fund balance from the Elementary School Bond Issue.

#### Business-Type Fund Highlight

The School Nutrition Fund net assets decreased from \$206,811 to \$138,000.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Management Discussion & Analysis (Continued)

#### BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget was set on the cash basis. Over the course of the year, the District amended its certified budget one time as the district converted to budgeting in accordance with generally accepted accounting principals.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of fiscal 2009, the District had invested \$64 million, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. This amount represents a net increase of 11.3% from last year. More detailed information about capital assets is available in Note 3 to the financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Management Discussion & Analysis (Continued)

	Capital Assets						
	Governmental Activities		Business-type Activities		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 1,413,496	1,413,496	-	-	1,413,496	1,413,496	-
Construction in progress	1,893,389	13,072,052	259,829	440,519	2,153,218	13,512,571	(84.1)
Buildings	50,712,102	35,689,046	-	-	50,712,102	35,689,046	42.1
Improvements other than buildings	3,370,912	2,359,718	-	-	3,370,912	2,359,718	42.9
Furniture and equipment	6,209,397	4,301,578	174,359	234,597	6,383,756	4,536,175	40.7
Total assets	\$ 63,599,296	56,835,890	434,188	675,116	64,033,484	57,511,006	11.3

### Long-Term Debt

At year-end, the district had \$30,910,834 in general obligation debt and other long-term debt outstanding. This represents an increase of \$1,072,927 from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Outstanding Long-term Obligations		
	Total District		Total % Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 24,885,000	26,050,000	(4.5)
Discounts	(30,008)	(42,900)	(30.1)
Capital loan notes	-	710,000	(100.0)
Revenue Bonds	2,570,000	2,940,000	(12.6)
Premium	38,203	53,580	(28.7)
Revenue Bond Anticipation Notes	3,000,000	-	100.0
Early retirement	168,572	66,254	154.4
Net OPEB liability	239,000	-	100.0
Compensated absences	40,067	60,973	(34.0)
Total assets	<u>\$ 30,910,834</u>	<u>29,837,907</u>	<u>3.0</u>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Management Discussion & Analysis (Continued)

- The Iowa legislature set 2009-10 and 2010-11 allowable growth at 2%. An unprecedented 10% across-the-board state cut in 2009-10, reduced revenues by \$1.5 million. Spending authority based on 2% allowable growth was maintained but underfunded by the state by \$290 per student based on weighted enrollment.
- The 2009-10 budget enrollment (Sept 08 head count) increased by 91.2 students to 3,379.7. The 2010-11 budget enrollment (Sept 09 head count) decreased by 83.55 students to 3,296.15.
- The Indianola Community School District received the state-wide voluntary 4-year old preschool grant. In subsequent years, the school district will be able to count 4-year old preschool students at .6 weighting.
- The Board approved \$1.4 million in sustainable general fund budget cuts. The 2010-11 certified budget included an overall tax rate increase of up to \$0.90/\$1,000 of assessed valuation.
- For 2009-10, the District settlement with the Indianola Education Association was 3.82%.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Darcy Moeller, Business Manager, 1304 East 2<sup>nd</sup> Avenue, Indianola, IA 50125.



## **BASIC FINANCIAL STATEMENTS**

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets  
June 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments			
Other	\$ 8,698,165	207,385	8,905,550
Receivables			
Property tax:			
Current year delinquent	125,884	-	125,884
Succeeding year	13,122,149	-	13,122,149
Accounts	122,687	265	122,952
Interfund receivable	150,760	-	150,760
Due from other governments	1,877,566	-	1,877,566
Inventories	-	66,982	66,982
Bond issue costs, net of accumulated amortization of \$98,219	111,064	-	111,064
Capital assets, net of accumulated depreciation	<u>48,463,941</u>	<u>346,394</u>	<u>48,810,335</u>
 Total assets	 <u>72,672,216</u>	 <u>621,026</u>	 <u>73,293,242</u>
<b>Liabilities</b>			
Accounts payable	1,315,362	18,574	1,333,936
Salaries and benefits payable	2,863,935	85,847	2,949,782
Accrued interest payable	131,450	-	131,450
Deferred revenue			
Succeeding year property tax	13,122,149	-	13,122,149
Other	956,568	-	956,568
Compensated absences	38,573	1,494	40,067
Interfund payable	-	150,760	150,760

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A  
(Continued)

## Statement of Net Assets June 30, 2009

	Governmental Activities	Business-type Activities	Total
Liabilities (Continued)			
Long-term liabilities:			
Portion due within one year:			
Bonds payable	1,245,000	-	1,245,000
Revenue Bonds	385,000	-	385,000
Portion due after one year:			
Bonds payable (net of unamortized discounts)	23,609,992	-	23,609,992
Revenue bond anticipation notes	3,000,000	-	3,000,000
Revenue bonds payable (net of unamortized premium)	2,223,203	-	2,223,203
Net other post employment benefits liability	239,000	-	239,000
Total liabilities	<u>49,130,232</u>	<u>256,675</u>	<u>49,386,907</u>
Net assets			
Invested in capital assets, net of related debt	20,608,949	-	20,608,949
Fund balances			
Restricted for			
Inventories	-	326,811	326,811
Categorical funding	112,309	-	112,309
Management levy	392,294	-	392,294
Physical plant and equipment levy	(61,041)	-	(61,041)
Other special revenue purposes	203,886	-	203,886
Debt service	736,650	-	736,650
Unrestricted	<u>1,548,937</u>	<u>37,540</u>	<u>1,586,477</u>
Total net assets	<u>\$ 23,541,984</u>	<u>364,351</u>	<u>23,906,335</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Statement of Activities June 30, 2009

Functions/Programs	Expenses	Charges for Service	Program
			Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 14,555,610	1,036,996	2,032,969
Special education instruction	3,242,458	121,707	374,704
Vocational instruction	454,285	-	35,242
Other instruction	1,196,142	-	190,999
Co-curricular instruction	1,978,090	553,041	15,126
	<u>21,426,585</u>	<u>1,711,744</u>	<u>2,649,040</u>
Support services:			
Student support services	733,504	-	100,731
Instructional staff support services	883,766	-	139,457
General administration services	493,041	-	-
Building administration services	1,683,027	-	19,170
Operation and maintenance of plant services	3,076,029	65,715	-
Transportation services	1,203,624	4,579	8,519
Central services	741,936	-	12,805
	<u>8,814,927</u>	<u>70,294</u>	<u>280,682</u>
Other expenditures:			
Facilities acquisition	287,830	-	-
Long-term debt:			
Interest and fiscal charges	1,320,820	-	-
AEA flowthrough	1,111,247	-	1,111,247
Depreciation (unallocated)*	243,223	-	-
	<u>2,963,120</u>	<u>-</u>	<u>1,111,247</u>
Total governmental activities	33,204,632	1,782,038	4,040,969

Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Capital Grants, Contributions and Restricted Interest			
-	(11,485,645)	-	(11,485,645)
-	(2,746,047)	-	(2,746,047)
-	(419,043)	-	(419,043)
-	(1,005,143)	-	(1,005,143)
-	(1,409,923)	-	(1,409,923)
-	(17,065,801)	-	(17,065,801)
-	(632,773)	-	(632,773)
-	(744,309)	-	(744,309)
-	(493,041)	-	(493,041)
-	(1,663,857)	-	(1,663,857)
-	(3,010,314)	-	(3,010,314)
-	(1,190,526)	-	(1,190,526)
-	(729,131)	-	(729,131)
-	(8,463,951)	-	(8,463,951)
29,187	(258,643)	-	(258,643)
-	(1,320,820)	-	(1,320,820)
-	-	-	-
-	(243,223)	-	(243,223)
29,187	(1,822,686)	-	(1,822,686)
29,187	(27,352,438)	-	(27,352,438)

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Statement of Activities June 30, 2009

			Program
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs (Continued)			
Business-Type activities:			
Non-instructional programs:			
Nutrition and child care services	2,391,630	1,827,121	425,177
Other expenditures:			
Home Building	525,157	-	-
Total business-type activities	<u>2,916,787</u>	<u>1,827,121</u>	<u>425,177</u>
 Total	 <u>\$ 36,121,419</u>	 <u>3,609,159</u>	 <u>4,466,146</u>
 General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investments earnings			
Other			
Transfers			
 Total general revenues			
 Change in net assets			
 Net assets beginning of year			
 Net assets end of year			

\* This amount excludes the depreciation that is included in the direct expense of the various programs

See notes to financial statements.

Exhibit B  
(Continued)

Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Capital Grants, Contributions and Restricted Interest			
-	-	(139,332)	(139,332)
-	-	(525,157)	(525,157)
-	-	(664,489)	(664,489)
<u>29,187</u>	<u>(27,352,438)</u>	<u>(664,489)</u>	<u>(28,016,927)</u>
	\$ 9,614,046	-	9,614,046
	2,083,015	-	2,083,015
	1,789,925	-	1,789,925
	1,881,768	-	1,881,768
	13,458,982	-	13,458,982
	121,262	2,207	123,469
	141,405	500,897	642,302
	<u>(81,531)</u>	<u>81,531</u>	<u>-</u>
	<u>29,008,872</u>	<u>584,635</u>	<u>29,593,507</u>
	1,656,434	(79,854)	1,576,580
	<u>21,885,550</u>	<u>444,205</u>	<u>22,329,755</u>
	<u>\$ 23,541,984</u>	<u>364,351</u>	<u>23,906,335</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Balance Sheet Governmental Funds June 30, 2009

Assets	<u>General</u>	<u>Debt Service</u>
Cash and pooled investments		
Other	\$ 5,060,957	684,236
Receivables		
Property tax:		
Current year delinquent	86,665	21,180
Succeeding year	9,177,040	2,070,179
Accounts	101,534	-
Interfund receivable	150,760	-
Due from other governments	<u>1,026,278</u>	<u>-</u>
 Total assets	 <u>\$ 15,603,234</u>	 <u>2,775,595</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 354,122	4,729
Salaries and benefits payable	2,863,381	-
Deferred revenue		
Succeeding year property tax	9,177,040	2,070,179
Other	<u>956,568</u>	<u>-</u>
Total liabilities	<u>13,351,111</u>	<u>2,074,908</u>
 Fund balances		
Reserved for		
Other	195,531	-
Debt service	-	700,687
Unreserved		
Undesignated	<u>2,056,592</u>	<u>-</u>
Total fund equity	<u>2,252,123</u>	<u>700,687</u>
 Total liabilities and fund balances	 <u>\$ 15,603,234</u>	 <u>2,775,595</u>

See notes to financial statements.



## Exhibit C

Elementary School Bond Issue	Local Option Sales Tax	Nonmajor Special Revenue	Total
70,172	2,247,463	635,337	8,698,165
-	-	18,039	125,884
-	-	1,874,930	13,122,149
-	20,370	783	122,687
-	-	-	150,760
-	849,645	1,643	1,877,566
<u>70,172</u>	<u>3,117,478</u>	<u>2,530,732</u>	<u>24,097,211</u>
41,763	794,639	120,109	1,315,362
-	-	554	2,863,935
-	-	1,874,930	13,122,149
-	-	-	956,568
<u>41,763</u>	<u>794,639</u>	<u>1,995,593</u>	<u>18,258,014</u>
-	-	-	195,531
-	736,650	-	1,437,337
<u>28,409</u>	<u>1,586,189</u>	<u>535,139</u>	<u>4,206,329</u>
<u>28,409</u>	<u>2,322,839</u>	<u>535,139</u>	<u>5,839,197</u>
<u>70,172</u>	<u>3,117,478</u>	<u>2,530,732</u>	<u>24,097,211</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit D

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets June 30, 2009

Total fund balances of governmental funds	\$ 5,839,197
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 the governmental funds.	48,463,941
Bond issue costs are not available to pay current period expenditures and, therefore, are not reported as assets in the governmental funds.	111,064
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(131,450)
Long-term liabilities, including bonds payable, compensated absences and other post retirement benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(30,740,768)</u>
Net assets of governmental activities	<u>\$ 23,541,984</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year ended June 30, 2009

	General	Debt Service	Elementary School Bond Issue	Local Option Sales Tax	Nonmajor Special Revenue	Total
<b>Revenues</b>						
Local sources:						
Local tax	\$ 9,614,046	2,083,015	-	1,881,768	1,789,925	15,368,754
Tuition	941,459	-	-	-	-	941,459
Other	485,863	-	73,522	11,721	574,523	1,145,629
State sources	16,699,041	1,318	-	-	1,145	16,701,504
Federal sources	756,064	-	-	-	-	756,064
Total revenues	<u>28,496,473</u>	<u>2,084,333</u>	<u>73,522</u>	<u>1,893,489</u>	<u>2,365,593</u>	<u>34,913,410</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular instruction	13,319,776	-	-	-	393,782	13,713,558
Special education						
instruction	3,147,483	-	-	-	-	3,147,483
Vocational instruction	422,441	-	-	-	-	422,441
Other instruction	1,196,142	-	-	-	-	1,196,142
Co-curricular instruction	1,409,620	-	-	-	471,428	1,881,048
	<u>19,495,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,210</u>	<u>20,360,672</u>
Support services:						
Student support services	668,175	-	-	-	-	668,175
Instructional staff support						
services	1,211,121	-	-	235,047	-	1,446,168
General administration						
services	435,795	-	-	-	-	435,795
Building administration						
services	1,591,486	-	-	-	21,530	1,613,016
Operation and maintenance						
of plant services	2,740,197	-	-	-	286,186	3,026,383
Transportation services	996,164	-	-	-	320,704	1,316,868
Central services	741,292	14,550	-	5,028	10,988	771,858
	<u>8,384,230</u>	<u>14,550</u>	<u>-</u>	<u>240,075</u>	<u>639,408</u>	<u>9,278,263</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E  
(Continued)

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Elementary School Bond Issue</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Expenditures (Continued)						
Other expenditures:						
Facilities acquisition and construction	-	-	3,055,371	2,496,951	601,173	6,153,495
Long-term debt:						
Principal	-	4,620,000	-	-	-	4,620,000
Interest and fiscal charges	-	1,343,789	-	-	-	1,343,789
AEA flowthrough	<u>1,111,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,111,247</u>
	<u>1,111,247</u>	<u>5,963,789</u>	<u>3,055,371</u>	<u>2,496,951</u>	<u>601,173</u>	<u>13,228,531</u>
Total expenditures	<u>28,990,939</u>	<u>5,978,339</u>	<u>3,055,371</u>	<u>2,737,026</u>	<u>2,105,791</u>	<u>42,867,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(494,466)</u>	<u>(3,894,006)</u>	<u>(2,981,849)</u>	<u>(843,537)</u>	<u>259,802</u>	<u>(7,954,056)</u>
Other financing sources (uses)						
General obligation bonds issued	-	2,375,000	-	-	-	2,375,000
Revenue bond anticipation notes issued	-	-	-	3,000,000	-	3,000,000
Interfund transfers	<u>(79,477)</u>	<u>1,746,472</u>	<u>-</u>	<u>(1,397,402)</u>	<u>(351,124)</u>	<u>(81,531)</u>
Total other financing sources (uses)	<u>(79,477)</u>	<u>4,121,472</u>	<u>-</u>	<u>1,602,598</u>	<u>(351,124)</u>	<u>5,293,469</u>
Net change in fund balances	(573,943)	227,466	(2,981,849)	759,061	(91,322)	(2,660,587)
Fund balances, beginning of year	<u>2,826,066</u>	<u>473,221</u>	<u>3,010,258</u>	<u>1,563,778</u>	<u>626,461</u>	<u>8,499,784</u>
Fund balances, end of year	<u>\$ 2,252,123</u>	<u>700,687</u>	<u>28,409</u>	<u>2,322,839</u>	<u>535,139</u>	<u>5,839,197</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit F

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year ended June 30, 2009

Net change in fund balances - total governmental funds	\$ (2,660,587)
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Amounts reported for governmental activities in the  
statements of activities are different because:

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 6,863,630	
Depreciation expense	<u>(1,673,692)</u>	5,189,938

Outlays associated with the issuance of long-term liabilities are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as amortization expense in the Statement of Activities. The amounts of discounts and bond issue costs and amortization expense in the year are as follows:

Bond issue costs	\$ 25,021	
Amortization of discounts and bond issue costs	<u>(14,651)</u>	10,370

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Current year issues exceeded repayments, as follows:

Issued	\$ (5,375,000)	
Repaid	<u>4,620,000</u>	(755,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	26,599
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 66,254	
Compensated absences	17,860	
Other post employment benefits	<u>(239,000)</u>	<u>(154,886)</u>

Change in net assets of governmental activities	\$ <u>1,656,434</u>
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See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit G

Balance Sheet  
Proprietary Funds  
June 30, 2009

	School Nutrition	Nonmajor Proprietary	Total
<u>Assets</u>			
Cash and pooled investments	\$ 25,769	181,616	207,385
Accounts receivable	-	265	265
Inventories	66,982	-	66,982
Property and equipment - net	86,565	259,829	346,394
Total assets	<u>\$ 179,316</u>	<u>441,710</u>	<u>621,026</u>
<u>Liabilities &amp; Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 4,807	13,767	18,574
Salaries and benefits payable	10,186	75,661	85,847
Compensated absences	293	1,201	1,494
Interfund	26,030	124,730	150,760
Total liabilities	<u>41,316</u>	<u>215,359</u>	<u>256,675</u>
<u>Net assets:</u>			
Invested in capital assets	86,565	-	86,565
Reserved for inventory	66,982	259,829	326,811
Unreserved	(15,547)	(33,478)	(49,025)
Total net assets	<u>138,000</u>	<u>226,351</u>	<u>364,351</u>
Total liabilities and net assets	<u>\$ 179,316</u>	<u>441,710</u>	<u>621,026</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit H

## Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating revenue			
Local sources:			
Charges for services	\$ 974,641	821,628	1,796,269
Sale of property	-	500,897	500,897
Miscellaneous	<u>351</u>	<u>30,501</u>	<u>30,852</u>
Total operating revenue	<u>974,992</u>	<u>1,353,026</u>	<u>2,328,018</u>
Operating expenses			
Non-instructional programs			
Food service and community service operations			
Salaries	581,933	545,516	1,127,449
Benefits	127,503	109,076	236,579
Purchased services	14,330	176,750	191,080
Supplies	725,514	97,362	822,876
Depreciation	<u>13,646</u>	<u>-</u>	<u>13,646</u>
	<u>1,462,926</u>	<u>928,704</u>	<u>2,391,630</u>
Other expenditures			
Property	<u>-</u>	<u>525,157</u>	<u>525,157</u>
Total operating expenses	<u>1,462,926</u>	<u>1,453,861</u>	<u>2,916,787</u>
Operating income (loss)	<u>(487,934)</u>	<u>(100,835)</u>	<u>(588,769)</u>
Non-operating revenue			
State sources	7,573	3,029	10,602
Federal sources	410,975	3,600	414,575
Transfer to general fund	-	81,531	81,531
Interest income	<u>575</u>	<u>1,632</u>	<u>2,207</u>
	<u>419,123</u>	<u>89,792</u>	<u>508,915</u>
Change in net assets	(68,811)	(11,043)	(79,854)
Net assets, beginning of year	<u>206,811</u>	<u>237,394</u>	<u>444,205</u>
Net assets, end of year	<u>\$ 138,000</u>	<u>226,351</u>	<u>364,351</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit I

## Statement of Cash Flows Proprietary Funds Year ended June 30, 2009

	School Nutrition	Nonmajor Proprietary	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 974,992	-	974,992
Cash received for child care fees	-	851,864	851,864
Cash received for sale of property	-	500,897	500,897
Cash payments to employees for services	(731,595)	(653,433)	(1,385,028)
Cash payments to suppliers for goods and services	(636,278)	(805,641)	(1,441,919)
Net cash provided (used) by operating activities	<u>(392,881)</u>	<u>(106,313)</u>	<u>(499,194)</u>
Cash flows from non-capital financing activities			
Loan from general fund	26,030	108,693	134,723
Payback to general fund	-	(157,254)	(157,254)
State grants received	7,573	3,029	10,602
Federal grants received	336,727	3,600	340,327
Net cash provided (used) by non-capital financing activities	<u>370,330</u>	<u>(41,932)</u>	<u>328,398</u>
Cash flows from capital and related financing activities			
Net change in capital assets	(1,302)	180,691	179,389
Net cash used by capital and related financing activities	<u>(1,302)</u>	<u>180,691</u>	<u>179,389</u>
Cash flows from investing activities			
Interest on investments	575	1,632	2,207
Net cash from investing activities	<u>575</u>	<u>1,632</u>	<u>2,207</u>
Net increase (decrease) in cash and cash equivalents	(23,278)	34,078	10,800
Cash and cash equivalents beginning of year	49,047	147,538	196,585
Cash and cash equivalents end of year	<u>\$ 25,769</u>	<u>181,616</u>	<u>207,385</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (487,934)	(100,835)	(588,769)
Depreciation expense	13,646	-	13,646
Commodities used	74,248	-	74,248
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Increase in accounts receivable	-	(265)	(265)
Decrease in prepaid expense	3,464	3,663	7,127
Decrease in inventories	34,626	-	34,626
Decrease in accounts payable	(5,308)	(6,372)	(11,680)
Decrease in salaries and benefits payable	(25,623)	(2,504)	(28,127)
Net cash provided by (used) by operating activities	<u>\$ (392,881)</u>	<u>(106,313)</u>	<u>(499,194)</u>

### Non-cash investing, capital and financing activities

During the year ended June 30, 2009, the District received Federal commodities valued at \$60,761 and consumed Federal commodities of \$74,248 during the year.

See notes to financial statements.



# INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit J

## Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2009

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 15,030
Other receivables	<u>2,940</u>
Total assets	<u>\$ 17,970</u>
Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 257
Other payables	<u>17,713</u>
Total Liabilities	<u>\$ 17,970</u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indianola Community School District (the "District") is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Indianola, Iowa, and the predominate agricultural territory in Warren County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with auditing standards generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### B. Basis of Presentation – Continued

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or the improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### B. Basis of Presentation – Continued

The Elementary School Bond Issue Capital Projects Fund is used to account for all resources used in the acquisition and construction of a new elementary facility.

The Local Option Sales Tax Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Agency fund is used to account for assets held by the District as an agent for individual, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### C. Measurement Focus and Basis of Accounting - Continued

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### D. Assets, Liabilities and Fund Equity - Continued

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### D. Assets, Liabilities and Fund Equity – Continued

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost where historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### D. Assets, Liabilities and Fund Equity – Continued

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statement represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets. Bond discounts and premiums, as well as issue costs, are deferred and amortized over the life of the bonds using the effective interest method.

Fund Equity – In the government-wide financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### 2. CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 3,949,554

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,413,496	-	-	1,413,496
Construction in progress	13,072,052	1,893,389	13,072,052	1,893,389
	<u>14,485,548</u>	<u>1,893,389</u>	<u>13,072,052</u>	<u>3,306,885</u>
Capital assets being depreciated:				
Buildings	35,689,046	15,023,056	-	50,712,102
Improvements other than buildings	2,359,718	1,011,194	-	3,370,912
Furniture and equipment	4,301,578	2,012,052	104,233	6,209,397
	<u>42,350,342</u>	<u>18,046,302</u>	<u>104,233</u>	<u>60,292,411</u>
Less accumulated depreciation for:				
Buildings	10,227,575	1,027,122	-	11,254,697
Improvements other than buildings	448,717	151,131	-	599,848
Furniture and equipment	2,885,595	495,439	100,224	3,280,810
	<u>13,561,887</u>	<u>1,673,692</u>	<u>100,224</u>	<u>15,135,355</u>
Total capital assets being depreciated, net	<u>28,788,455</u>	<u>16,372,610</u>	<u>4,009</u>	<u>45,157,056</u>
Governmental activities capital assets, net	<u>\$ 43,274,003</u>	<u>18,265,999</u>	<u>13,076,061</u>	<u>48,463,941</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 440,519	259,829	440,519	259,829
Capital assets being depreciated:				
Furniture and equipment	234,600	1,302	61,540	174,362
Less accumulated depreciation	135,691	13,646	61,540	87,797
	<u>98,909</u>	<u>(12,344)</u>	<u>-</u>	<u>86,565</u>
Business-type activities capital assets, net	<u>\$ 539,428</u>	<u>247,485</u>	<u>440,519</u>	<u>346,394</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 3. CAPITAL ASSETS –Continued

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 710,226
Special	94,975
Vocational	31,844
Co-curricular	97,042

Support services:

Student support	58,104
Instructional staff	47,982
General administration	55,045
Building administration	70,651
Central services	2,811
Operation and maintenance of plant	61,203
Transportation	200,586

1,430,469

Unallocated depreciation

243,223

Total governmental activities depreciation expense

\$ 1,673,692

Business-type activities:

Food services

\$ 13,646

### 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The detail of interfund receivables and payables for the year ended June 30, 2009 is as follows:

	Receivable	Payable
General fund	\$ 150,760	-
Enterprise funds		
School Nutrition	-	26,030
Child Care	-	14,411
Home building fund	-	110,319
	\$ 150,760	150,760

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General Fund	Student Activity	\$ 2,054
	Home Building	12,751
		<u>14,805</u>
Debt Service	Local Option Sales Tax	1,397,402
	Physical Plant and Equipment Levy	349,070
		<u>1,746,472</u>
Preschool	General Fund	94,282
		<u>\$ 1,842,808</u>

### 5. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 26,050,000	2,375,000	3,540,000	24,885,000	1,245,000
Discounts	(42,900)	-	(12,892)	(30,008)	-
Capital loan notes	710,000	-	710,000	-	-
Revenue Bonds	2,940,000	-	370,000	2,570,000	385,000
Premium	53,580	-	15,377	38,203	-
Revenue Bond Anticipation Notes	-	3,000,000	-	3,000,000	-
Early retirement	66,254	-	66,254	-	-
Net OPEB liability	-	239,000	-	239,000	-
Compensated absences	60,723	40,067	60,723	40,067	40,067
Total	<u>\$ 29,837,657</u>	<u>5,654,067</u>	<u>4,749,462</u>	<u>30,742,262</u>	<u>1,670,067</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 5. LONG-TERM LIABILITIES - CONTINUED

#### Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30	Refunding Bond Issue of May 27, 2009			Bond Issue of January 1, 2002		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2010	1.35	\$ 51,258	580,000	4.50	\$ 354,509	105,000
2011	2.00	42,865	585,000	4.75	349,784	120,000
2012	2.50	31,165	600,000	4.75	344,084	125,000
2013	2.65	16,165	610,000	5.00	338,146	125,000
2014		-	-	5.00	331,896	100,000
2015		-	-	5.00	326,896	790,000
2016		-	-	5.00	287,396	830,000
2017		-	-	5.05	245,896	865,000
2018		-	-	5.10	202,213	910,000
2019		-	-	5.13	155,804	955,000
2020		-	-	5.20	106,860	1,000,000
2021		-	-	5.20	54,860	1,055,000
		<u>\$ 141,453</u>	<u>2,375,000</u>		<u>\$ 3,098,344</u>	<u>6,980,000</u>

Year Ending June 30	Refunding Bond Issue of September 1, 2002			Bond Issue of December 1, 2006		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2010	3.80	\$ 109,410	560,000		\$ 109,950	-
2011	4.00	88,130	580,000		109,950	-
2012	4.00	64,930	605,000		109,950	-
2013	4.10	40,730	640,000		109,950	-
2014	4.20	14,490	345,000	4.15	109,950	500,000
2015		-	-	4.10	89,200	110,000
2016		-	-	4.00	84,690	125,000
2017		-	-	4.00	79,690	115,000
2018		-	-	3.70	75,090	120,000
2019		-	-	3.75	70,650	130,000
2020		-	-	3.80	65,775	150,000
2021		-	-	3.80	60,075	150,000
2022		-	-		54,375	450,000
2023		-	-		37,050	450,000
2024		-	-		19,500	500,000
		<u>\$ 317,690</u>	<u>2,730,000</u>		<u>\$ 1,185,845</u>	<u>2,800,000</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 5. LONG-TERM LIABILITIES - CONTINUED

#### Bonds Payable- Continued

Year Ending June 30	Bond Issue of July 1, 2007		Total	
	Interest Rates	Interest	Principal	
2010		\$ 425,000	-	1,050,127
2011		425,000	-	1,015,729
2012		425,000	-	975,129
2013		425,000	-	929,991
2014	4.50	425,000	110,000	881,336
2015	4.50	420,326	200,000	836,422
2016	4.50	411,826	200,000	783,912
2017	4.50	403,326	225,000	728,912
2018	4.50	393,762	240,000	671,065
2019	4.50	383,562	240,000	610,016
2020	4.50	373,362	250,000	545,997
2021	4.50	362,738	265,000	437,098
2022	4.25	351,476	1,000,000	405,851
2023	4.00	308,976	1,060,000	346,026
2024	4.00	263,926	1,075,000	283,426
2025	4.00	218,238	1,645,000	218,238
2026	4.00	148,326	1,710,000	148,326
2027	4.00	75,650	1,780,000	75,650
		<u>\$ 6,240,494</u>	<u>10,000,000</u>	<u>\$ 10,943,251</u>
				<u>24,885,000</u>

In January 2002 the District issued \$7,500,000 of General Obligation Bonds. The proceeds from the bonds were used to renovate the high school building and site.

In September 2002 the District issued \$4,810,000 of General Obligation Refunding Bonds to provide resources to purchase state and local government series securities that were placed in an irrevocable trust for the purpose of generating resources to pay all future debt service requirements on \$4,615,000 of refunded debt representing the June 2006 through June 2014 maturities of the bond issue of March 1, 1995. As a result the refunded bonds are considered to be defeased.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 5. LONG-TERM LIABILITIES - CONTINUED

In December 2006 the District issued \$2,800,000 of General Obligation Bonds. In July 2007 the District issued an additional \$10,000,000 of General Obligation Bonds. The proceeds from the bonds were used for the purchase of land and to construct and equip a new elementary building.

In May 2009 the District issued \$2,375,000 of General Obligation Refunding Bonds. The proceeds from the bonds were used to refund General Obligation Refunding Bonds dated April 1998.

#### Revenue Bonds

Year Ending June 30	Revenue Bonds of December 1, 2006		
	Interest Rates	Interest	Principal
2010	4.50	\$ 106,638	385,000
2011	4.50	88,863	405,000
2012	5.00	69,250	420,000
2013	5.00	47,875	435,000
2014	4.00	27,900	455,000
2015	4.00	9,400	470,000
		<u>\$ 349,926</u>	<u>2,570,000</u>

The District has pledged future local option sales and services tax revenues to repay the \$2,940,000 of School Infrastructure Local Option Sales and Services Tax Revenue Bonds issued in December 2006. The bonds were issued to construct and equip a new music addition at the high school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will be payable solely and only from the local option sales and services tax revenues and shall be a first lien on the future local option sales and services tax revenues received by the District.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 5. **LONG-TERM LIABILITIES - Continued**

#### Revenue Bond - Continued

- (b) \$294,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited into the project account.
- (c) All proceeds from the local option sales and services tax shall be placed in a revenue account.
- (d) Monies in the revenue fund shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (e) Additional monies shall be disbursed to the reserve account, after first making the required payments to the sinking account, until a specific minimum balance has been accumulated.
- (f) Any monies remaining in the revenue account after the required transfers to the sinking and reserve accounts may be transferred to the project account to be used for any lawful purpose.

#### Revenue Bond Anticipation Notes

Year Ending June 30	School Infrastructure Sales, Services and Use Tax Revenue and Bond Anticipation Project Note Issue of March 4, 2009		
	Interest Rates	Interest	Principal
2010	3.00	\$ 90,000	-
2011	3.00	90,000	-
2012	3.00	90,000	3,000,000
		<u>\$ 270,000</u>	<u>3,000,000</u>

In March 2009 the District issued \$3,000,000 of School Infrastructure Sales, Services and Use Tax Revenue and Bond Anticipation Note. The proceeds from the note are for the purpose of anticipating the school infrastructure sales, services and use tax revenues, and the issuance of School Infrastructure Sales, Services and Use Tax Revenue Bonds in order to defray the cost of acquiring and constructing athletic facility improvements. The notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.



## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements - Continued June 30, 2009

#### 5. **LONG-TERM LIABILITIES - Continued**

##### Termination Benefits

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 20% plus 2% for each additional year of continuous service up to a maximum of 40% of the employee's base salary calculated by using the current year regular salary schedule plus up to \$50 per day for unused sick leave days not to exceed 50 days subject to a maximum of \$20,000 per individual. Early retirement benefits awarded during the year ended June 30, 2009, totaled \$156,593.

#### 6. **PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$1,293,742, \$1,110,950, and \$978,340 respectively, equal to the required contributions for each year.

#### 7. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

##### Plan Description-

The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 332 active and 43 retired members in the plan. Participants must be age 55 or older at retirement.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The medical/prescription drug coverage is provided through a fully-insured plan with Iowa Schools Employee Benefits Association. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

#### Funding Policy-

The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation-

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 511,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	511,000
Contributions made	(272,000)
Increase in net OPEB obligation	239,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 239,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$272,000 to the medical plan. Plan members eligible for benefits contributed \$76,000, or 22% of the premium costs.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements - Continued June 30, 2009

### 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 511,000	53.23%	\$ 239,000

#### Funded Status and Funding Progress-

As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$4.534 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.534 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,667,000, and the ratio of the UAAL to covered payroll was 25.66%. As of June 30, 2009, there were no trust fund assets.

#### Actuarial Methods and Assumptions-

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 health care 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 schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements - Continued June 30, 2009

#### 7. **OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$742 per month for retirees and spouses with assumed annual age 60. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### 8. **RISK MANAGEMENT**

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$115,584.

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 9. **AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,111,247 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements - Continued June 30, 2009

#### 10. CONSTRUCTION COMMITMENTS

The District entered into contracts totaling \$4,124,614 for engineering and construction related to high school auditorium renovations, high school locker renovations, athletic field improvements, window replacements, parking lot improvements and various roof improvements. At June 30, 2009, \$1,636,618 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the projects progress.

**REQUIRED SUPPLEMENTARY INFORMATION**

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget to Actual - All Governmental Fund Types and Proprietary Funds Required Supplementary Information Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Funds Actual
Receipts		
Local sources	\$ 17,455,842	2,330,225
State sources	16,701,504	10,602
Federal sources	756,064	414,575
Total receipts	<u>34,913,410</u>	<u>2,755,402</u>
Disbursements		
Instruction	20,360,672	-
Support services	9,278,263	-
Noninstructional programs	-	2,391,630
Other expenditures	13,228,531	525,157
Total disbursements	<u>42,867,466</u>	<u>2,916,787</u>
Excess (deficiency) of receipts over (under) disbursements	(7,954,056)	(161,385)
Other financing sources, net	<u>5,293,469</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,660,587)	(161,385)
Balance, beginning of year	<u>8,499,784</u>	<u>444,205</u>
Balance, end of year	<u>\$ 5,839,197</u>	<u>282,820</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
19,786,067	18,495,469	18,495,469	1,290,598
16,712,106	37,284,288	37,284,288	(20,572,182)
1,170,639	537,000	537,000	633,639
<u>37,668,812</u>	<u>56,316,757</u>	<u>56,316,757</u>	<u>(18,647,945)</u>
20,360,672	20,250,000	23,300,000	2,939,328
9,278,263	10,945,000	11,500,000	2,221,737
2,391,630	2,000,000	2,500,000	108,370
<u>13,753,688</u>	<u>24,126,675</u>	<u>24,126,675</u>	<u>10,372,987</u>
<u>45,784,253</u>	<u>57,321,675</u>	<u>61,426,675</u>	<u>15,642,422</u>
(8,115,441)	(1,004,918)	(5,109,918)	(3,005,523)
<u>5,293,469</u>	<u>-</u>	<u>-</u>	<u>5,293,469</u>
(2,821,972)	(1,004,918)	(5,109,918)	2,287,946
<u>8,943,989</u>	<u>8,203,374</u>	<u>8,203,374</u>	<u>740,615</u>
<u>6,122,017</u>	<u>7,198,456</u>	<u>3,093,456</u>	<u>3,028,561</u>



## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standard Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the generally accepted accounting principles basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$4,105,000.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

### Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	-	\$ 4,534	\$ 4,534	0.00%	\$ 17,667	25.66%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **OTHER SUPPLEMENTARY INFORMATION**

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 1

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2009

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 388,904	213,477	32,956	635,337
Receivables				
Property tax				
Current year delinquent	7,122	-	10,917	18,039
Succeeding year	750,002	-	1,124,928	1,874,930
Accounts	-	783	-	783
Due from other governments	-	1,643	-	1,643
Prepaid expense	-	-	-	-
<b>Total assets</b>	<u>\$ 1,146,028</u>	<u>215,903</u>	<u>1,168,801</u>	<u>2,530,732</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,732	11,463	104,914	120,109
Salaries and benefits payable	-	554	-	554
Deferred revenue:				
Succeeding year property tax	750,002	-	1,124,928	1,874,930
<b>Total liabilities</b>	<u>753,734</u>	<u>12,017</u>	<u>1,229,842</u>	<u>1,995,593</u>
<b>Fund balances</b>				
Unreserved fund balances	392,294	203,886	(61,041)	535,139
<b>Total liabilities and fund balances</b>	<u>\$ 1,146,028</u>	<u>215,903</u>	<u>1,168,801</u>	<u>2,530,732</u>

See accompanying independent auditor's report.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 2

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds Year ended June 30, 2009

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 716,272	-	1,073,653	1,789,925
Other	43,460	530,308	755	574,523
State sources	466	-	679	1,145
Total revenues	<u>760,198</u>	<u>530,308</u>	<u>1,075,087</u>	<u>2,365,593</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	393,782	-	-	393,782
Co-curricular program instruction	-	471,428	-	471,428
Support services:				
Building administration services	21,530			21,530
Operation and maintenance of plant services	135,957	-	150,229	286,186
Transportation services	39,286	-	281,418	320,704
Central services	-	-	10,988	10,988
Other expenditures:				
Facilities acquisition and construction	-	-	601,173	601,173
Total expenditures	<u>590,555</u>	<u>471,428</u>	<u>1,043,808</u>	<u>2,105,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>169,643</u>	<u>58,880</u>	<u>31,279</u>	<u>259,802</u>
Other financing (uses):				
Interfund transfers	-	(2,054)	(349,070)	(351,124)
Net change in fund balances	169,643	56,826	(317,791)	(91,322)
Fund balances beginning of year	<u>222,651</u>	<u>147,060</u>	<u>256,750</u>	<u>626,461</u>
Fund balances end of year	<u>\$ 392,294</u>	<u>203,886</u>	<u>(61,041)</u>	<u>535,139</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Balance Sheet  
Nonmajor Proprietary Funds  
June 30, 2009

	Child Care	Preschool	Home Building	Total
<u>Assets</u>				
Cash and pooled investments	\$ 136,575	45,041	-	181,616
Accounts receivable	256	9	-	265
Inventory	-	-	259,829	259,829
 Total assets	 \$ 136,831	 45,050	 259,829	 441,710
 <u>Liabilities &amp; Net Assets</u>				
Liabilities:				
Accounts payable	\$ 10,569	-	3,198	13,767
Salaries and benefits payable	68,008	7,546	107	75,661
Compensated absences	1,201	-	-	1,201
Interfund	14,411	-	110,319	124,730
Total liabilities	94,189	7,546	113,624	215,359
 Net assets:				
Reserved for inventory	-	-	259,829	259,829
Unreserved	42,642	37,504	(113,624)	(33,478)
Total net assets	42,642	37,504	146,205	226,351
 Total liabilities and net assets	 \$ 136,831	 45,050	 259,829	 441,710

See accompanying independent auditor's report.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 4

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Proprietary Funds Year ended June 30, 2009

	Child Care	Preschool	Home Building	Total
Operating revenue:				
Other local sources:				
Charges for services	\$ 789,366	32,262	-	821,628
Sale of property	-	-	500,897	500,897
Miscellaneous	5,056	25,445	-	30,501
Total operating revenue	<u>794,422</u>	<u>57,707</u>	<u>500,897</u>	<u>1,353,026</u>
Operating expenses:				
Non-instructional programs:				
Community service operations				
Salaries	489,834	55,682	-	545,516
Benefits	94,903	14,173	-	109,076
Purchased services	159,794	16,956	-	176,750
Supplies	69,586	27,776	-	97,362
Other expenditures:				
Property	-	-	525,157	525,157
Total operating expenses	<u>814,117</u>	<u>114,587</u>	<u>525,157</u>	<u>1,453,861</u>
Operating income	<u>(19,695)</u>	<u>(56,880)</u>	<u>(24,260)</u>	<u>(100,835)</u>
Non-operating revenues (expenses):				
Transfer from general fund	-	94,282	(12,751)	81,531
State sources	3,029	-	-	3,029
Federal sources	3,600	-	-	3,600
Interest income	1,530	102	-	1,632
Change in net assets	(11,536)	37,504	(37,011)	(11,043)
Net assets, beginning of year	<u>54,178</u>	<u>-</u>	<u>183,216</u>	<u>237,394</u>
Net assets, end of year	<u>\$ 42,642</u>	<u>37,504</u>	<u>146,205</u>	<u>226,351</u>

See accompanying independent auditor's report.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Schedule 5

### Combining Schedule of Cash Flows Nonmajor Proprietary Funds Year ended June 30, 2009

	<u>Child Care</u>	<u>Preschool</u>	<u>Home Building</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received for child care fees	\$ 794,166	57,698	-	851,864
Cash received for sale of property	-	-	500,897	500,897
Cash payments to employees for services	(591,124)	(62,309)	-	(653,433)
Cash payments to suppliers for goods and services	(237,187)	(44,732)	(523,722)	(805,641)
Net cash provided by operating activities	<u>(34,145)</u>	<u>(49,343)</u>	<u>(22,825)</u>	<u>(106,313)</u>
Cash flows from non-capital financing activities:				
Loan from general fund	14,411	94,282	-	108,693
Payback to general fund	-	-	(157,254)	(157,254)
State grants received	3,029	-	-	3,029
Federal grants received	3,600	-	-	3,600
Net cash provided by (used in) non-capital financing activities	<u>21,040</u>	<u>94,282</u>	<u>(157,254)</u>	<u>(41,932)</u>
Cash flows from capital and related financing activities				
Net change in capital assets	<u>-</u>	<u>-</u>	<u>180,691</u>	<u>180,691</u>
Cash flows from investing activities				
Interest on investments	<u>1,530</u>	<u>102</u>	<u>-</u>	<u>1,632</u>
Net increase in cash and cash equivalents	(11,575)	45,041	612	34,078
Cash and cash equivalents, beginning of year	<u>148,150</u>	<u>-</u>	<u>(612)</u>	<u>147,538</u>
Cash and cash equivalents, end of year	<u>\$ 136,575</u>	<u>45,041</u>	<u>-</u>	<u>181,616</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating income (loss)	\$ (19,695)	(56,880)	(24,260)	(100,835)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Increase in accounts receivable	(256)	(9)	-	(265)
Decrease in prepaid expense	3,663	-	-	3,663
Increase (decrease) in accounts payable	(7,807)	-	1,435	(6,372)
Increase (decrease) in salaries and benefits payable	(10,050)	7,546	-	(2,504)
Net cash provided by (used in) operating activities	<u>\$ (34,145)</u>	<u>(49,343)</u>	<u>(22,825)</u>	<u>(106,313)</u>

See accompanying independent auditor's report.



# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 6

## Schedule of Changes in Individual Student Activity Accounts Year ended June 30, 2009

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
Income on investments	\$ 390	170	560	-	-
High School Drama	5,109	22,587	20,501	-	7,195
Middle School Drama	2,683	2,019	1,103	-	3,599
High School Show Choir	9,759	10,789	10,300	-	10,248
High School Chorus	9,823	9,001	6,030	-	12,794
Middle School Swing Choir	844	2,241	4,900	1,815	-
High School JV Show Choir	9,360	9,629	11,975	-	7,014
High School Instrumental Music	33	9,132	8,417	-	748
High School Orchestra	2,879	1,664	1,826	-	2,717
High School Athletics	1,596	237,304	208,593	-	30,307
Middle School Athletics	1,276	27,495	21,417	-	7,354
Middle School Yearbook	3,919	9,271	9,514	-	3,676
Middle School Student Council	3,990	1,640	4,258	-	1,372
High School Student Council	1,670	5,033	3,220	-	3,483
High School Debate	1,257	25,525	24,109	-	2,673
High School Cheerleaders	3,209	9,136	6,513	-	5,832
High School Drill Team	2,965	8,789	9,688	-	2,066
Future Farmers of America	6,537	36,495	31,082	-	11,950
Future Homemakers of America	193	600	739	-	54
High School Art Club	1,070	1,610	1,532	-	1,148
High School Auditorium Club	1,215	850	172	-	1,893
FFA Steer Show	3,965	3,896	3,654	-	4,207
High School National Honor Society	122	2,184	2,077	-	229
Middle School Builders Club	193	-	193	-	-
High School Art Club Beverage	278	276	13	-	541
High School Multi-Occu. Career Club	50	-	-	-	50
High School Math Club	-	285	100	-	185
German Club	-	4,422	3,818	-	604
Spanish Club	-	3,461	2,476	-	985
French Club	-	4,232	4,167	-	65
Senior Class Athletic Boosters	582	-	319	-	263
Middle School Vending Account	3,581	599	3,469	-	711
Middle School Account	9,839	33,101	24,712	(1,815)	16,413
Whittier School Account	8,012	4,783	471	-	12,324
Adult Education	2,921	-	-	-	2,921
Learning Center	6,278	1,551	1,554	-	6,275
Emerson School Account	319	-	15	-	304

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 6  
(Continued)

## Schedule of Changes in Individual Student Activity Accounts Year ended June 30, 2009

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
Middle School Media Resale	-	137	-	-	137
FFA Greenhouse	572	-	-	-	572
Emerson Sunshine Account	534	350	377	-	507
Emerson Pop Fund	588	216	244	-	560
Emerson Library/Media	3,318	5,989	5,336	-	3,971
Emerson General Account	3,049	1,296	766	-	3,579
Class of 2008	2,054	-	2,054	-	-
Class of 2009	5,127	1,623	6,338	(412)	-
Class of 2010	-	17,186	11,701	-	5,485
High School Foreign Language	41	-	41	-	-
Emerson Mini Olympics	55	-	-	-	55
Whittier Media Account	-	-	-	-	-
Middle School Book Fair	50	1,680	1,680	-	50
High School Administrative	21,660	11,911	11,233	412	22,750
High School Best Buddies	917	150	225	-	842
Middle School Special Projects	3,178	-	-	-	3,178
 Total	 \$ 147,060	 530,308	 473,482	 -	 203,886

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 7

Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 22,938	33,836	41,744	15,030
Other receivables	<u>19,063</u>	<u>2,940</u>	<u>19,063</u>	<u>2,940</u>
Total assets	<u>\$ 42,001</u>	<u>36,776</u>	<u>60,807</u>	<u>17,970</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	\$ 15,653	257	15,653	257
Other payables	<u>26,348</u>	<u>17,713</u>	<u>26,348</u>	<u>17,713</u>
Total Liabilities	<u>\$ 42,001</u>	<u>17,970</u>	<u>42,001</u>	<u>17,970</u>

See accompanying independent auditor's report.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 8

## Schedule of Revenues by Source and Expenditures by Function All Governmental Fund Types

	Modified Accrual Basis		
	Years ended June 30,		
	2009	2008	2007
<b>Revenues</b>			
Local sources:			
Local tax	\$ 15,368,754	13,459,352	12,508,329
Tuition	941,459	895,250	913,613
Other	1,145,629	1,604,330	1,496,556
State sources	16,701,504	16,972,267	15,386,976
Federal sources	756,064	506,357	495,465
Total revenues	<u>\$ 34,913,410</u>	<u>33,437,556</u>	<u>30,800,939</u>
<b>Expenditures</b>			
Instruction:			
Regular instruction	\$ 13,713,558	12,040,987	11,116,935
Special education instruction	3,147,483	2,924,952	2,837,181
Vocational instruction	422,441	641,745	623,506
Other instruction	1,196,142	731,463	694,564
Co-curricular instruction	1,881,048	1,777,852	1,690,543
Support services:			
Student support services	668,175	898,831	927,896
Instructional staff support services	1,446,168	1,055,649	854,681
General administration services	435,795	375,229	328,704
Building administration services	1,613,016	1,428,637	1,401,617
Operation and maintenance of plant services	3,026,383	2,687,036	2,564,729
Transportation services	1,316,868	1,009,201	1,413,983
Central services	771,858	611,214	653,393
Community service and education operations	-	-	-
Other expenditures:			
Non-instructional programs	-	-	-
Facilities acquisition and construction	6,153,495	11,029,613	3,405,635
Long-term debt:			
Principal	4,620,000	1,805,000	2,486,458
Interest and fiscal charges	1,343,789	1,412,907	806,177
AEA flowthrough	1,111,247	1,072,459	992,321
Total expenditures	<u>\$ 42,867,466</u>	<u>41,502,775</u>	<u>32,798,323</u>

See accompanying independent auditor's report.

2006	2005	2004
11,556,719	11,155,297	9,453,400
931,222	826,287	779,808
1,146,837	865,680	909,707
14,155,617	13,333,031	12,856,297
551,291	588,488	739,403
<u>28,341,686</u>	<u>26,768,783</u>	<u>24,738,615</u>
10,032,807	9,463,862	9,350,313
3,003,149	3,832,301	3,527,195
554,621	519,396	545,547
789,122	-	-
1,588,161	1,144,129	873,111
856,960	766,361	748,148
712,607	1,029,274	1,074,293
359,662	366,159	258,592
1,301,947	1,225,589	1,301,109
2,641,965	2,438,104	2,416,306
1,157,978	1,131,558	766,648
585,305	587,773	498,009
-	-	5,000
34,770	23,035	-
2,083,922	1,247,877	3,277,738
2,041,464	1,161,464	1,091,464
879,809	981,063	1,017,459
905,900	859,417	848,257
<u>29,530,149</u>	<u>26,777,362</u>	<u>27,599,189</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 9

## Schedule of Expenditures of Federal Awards Year ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 31,145
National School Lunch Program	10.555	FY09	286,680
National School Lunch Program - USDA Commodities (non-cash)	10.555	FY09	60,761
			<u>378,586</u>
Fresh Fruit and Vegetable Program	10.582	FY09	27,928
Child and Adult Care Food Program	10.558	FY09	4,567
			<u>411,081</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	190,398
Improving Teacher Quality State Grants	84.367	FY09	87,977
Safe and Drug Free Schools and Communities - State Grants	84.186	FY09	7,353
Grants for State Assessments and Related Activities	84.369	FY09	21,470
ARRA State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY09	263,615
Career and Technical Education - Basic Grants to States	84.048	FY09	21,784
Heartland Area Education Agency:			
Special Education - Grants to States (Individuals with Disabilities Education Act, Part B)	84.027	FY09	163,467
			<u>756,064</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY09	3,600
			<u>\$ 1,170,745</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Indianola Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



# Shull

and Co. P.C.  
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the  
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Indianola Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Indianola Community School 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 our opinion on the effectiveness of the Indianola Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Indianola Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Indianola Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles of the United States of America such that there is more than a remote likelihood a misstatement of the Indianola Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Indianola Community School District's internal control.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses in internal control over financial reporting.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Indianola Community School 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, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Indianola Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Indianola Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Indianola Community School District and other parties to whom the Indianola Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Indianola Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Shull & Co., P.C.*

February 19, 2010





# Shull

and Co. P.C.

certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of the  
Indianola Community School District

Compliance

We have audited the compliance of the Indianola Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Indianola Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indianola Community School 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 Indianola Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of Indianola Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal 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 program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indianola Community School District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

We noted no matters involving the internal control over compliance and its operation that we consider to be significant deficiencies or material weaknesses.

The Indianola Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Indianola Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Indianola Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Shull & Co., P.C.*

February 19, 2010

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (A) Unqualified opinions were issued on the financial statements.
- (B) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (C) The audit did not disclose any noncompliance which is material to the financial statements.
- (D) The audit did not disclose any reportable conditions in internal control over major programs.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Education Agencies
  - CFDA Number 10.582 – Fresh Fruit and Vegetable Program
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (H) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

**Part II: Findings Related to the Financial Statements:**

None

**Part III: Findings and Questioned Costs for Federal Awards:**

None

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting - Continued:**

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amended certified budget.
- IV-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

Certain minutes were not published timely as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures will be revised to ensure the minutes are published as required.

Conclusion – Response accepted.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting - Continued:**

IV-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-J-09 Categorical Funding - Except as noted, no instances were noted of categorical funding used to supplant rather than supplement other funds. The District allocated \$14,742 for central office administrative costs to the Returning Dropout and Dropout Prevention program. The administrative cost allocation does not appear to be an allowable cost for this program in accordance with Chapters 257.38 to 257.41 of the Code of Iowa and Chapter 281-98.21(3) of the Iowa Department of Education administrative rules.

Recommendation - The District should contact the Iowa Department of Education regarding corrective action required. In the future, the District should not allocate administrative costs to the Returning Dropout and Dropout Prevention program. The questioned costs of \$14,742 should be reported as reserved fund balance.

Response - As recommended, we will contact the Iowa Department of Education to determine the corrective action required. We will refrain from charging administrative costs to this program.

Conclusion - Response accepted.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs (Continued) Year ended June 30, 2009

### **Part IV: Other Findings Related to Required Statutory Reporting - Continued:**

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$ 1,563,778	
Revenues/transfers in:			
Statewide sales and services tax revenue	\$ 1,881,768		
Investment earnings	10,248		
Other	1,473		
Revenue bond anticipation notes	<u>3,000,000</u>	4,893,489	
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$ 961,938		
Equipment	267,427		
Site improvements	1,507,661		
Debt service for school infrastructure:			
General obligation debt	250,000		
Revenue debt	<u>1,147,402</u>	<u>4,134,428</u>	
Ending balance		<u>2,322,839</u>	

IV-L-09 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.