

INDIANOLA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Indianola Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
John Parker, Jr.	President	2005
Eddie Butler	Vice President	2003
Dee Allen	Board Member	2005
Ken Bresnan	Board Member	2004
Cyd Dyer	Board Member	2004
Grant Johnson	Board Member	2005
Eric Larsen	Board Member	2003

Board of Education
(After September 2003 Election)

Eddie Butler	President	2006
Grant Johnson	Vice President	2005
Dee Allen	Board Member	2005
Ken Bresnan	Board Member	2004
Cyd Dyer	Board Member	2004
Rob Miller	Board Member	2006
John Parker, Jr.	Board Member	2005

School Officials

Dr. Thomas Narak	Superintendent	2004
Darcy Moeller	District Secretary/Treasurer	2004
Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee, P.C.	Attorney	2004

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, 2004, 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 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, 2004 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 reports dated October 19, 2004 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 grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 46 through 48 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 general purpose financial statements for the three years ended June 30, 2003 (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, 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.

October 19, 2004

MANAGEMENT DISCUSSION & ANALYSIS

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis

Management of the Indianola Community School District provides this Management's Discussion and Analysis of the Indianola Community School District. This narrative overview analysis of the financial activities of the Indianola Community School District is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Efforts have been made to provide comparison to prior year data when such data is available.

Financial Highlights

General Fund

- As set by the Iowa Legislature, the 2003-04 general fund allowable growth rate was 2%.
- General fund state revenues were cut by \$264,901 mid-year.
- The budget enrollment was 3,172.1– an increase of 12.2 students.
- The Indianola Community School District negotiated a 4.35% package settlement with the Indianola Employee Groups.
- The general fund solvency ratio decreased from 6.49% in 2002-03 to 4.34 in 2003-04.
- Taxable valuation of the district increased by 3.53%.
- The Indianola Community School District converted to Generally Accepted Accounting Principals (GAAP) based budgeting during the 2002-03 fiscal year.

Other Funds

- The overall tax levy rate remained at \$18.80/\$1,000 of assessed valuation.
- The One Cent Local Option Sales Tax was passed in Warren County. The passage will provide an estimated \$1.2 million each year for district infrastructure.

Overview of the Financial Statements

This 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.
- *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.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis (Continued)

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.

- 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.

Management Discussion & Analysis (Continued)

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

Significant information on net assets of the Indianola Community School District has been added into the 2003-04 financial statements. An accounting of the change in capital assets as compared to the previous year is provided in Note 4 of the Notes to Financial Statements.

- The Governmental Activities Net Capital Assets increased by \$1,833,721 to \$29,517,920.
- The Business-Type Activities Net Capital Assets increased by \$101,116 to \$310,028.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis (Continued)

Governmental Activities

The stability of District's finances can be credited to many things including the following:

- The strength of the local economy was clearly evident as the District experienced an increase in the overall property tax base. Taxable valuation increased 3.53% percent, from \$486,190,616 to \$503,362,434 compared to the prior fiscal year.
- Revenues for governmental activities were \$24,738,615 while expenses amounted to \$27,599,189.

Business-Type Activities

The District's business-type activities include the School Nutrition Fund, Child Care Program, and HS Home Construction Program. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The solid 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 \$1,263,120, below last year's ending fund balances of \$4,123,694 due to the expenditure of the funds from the sale of bonds to finance the high school renovation project.

Governmental Fund Highlights

- The General Fund balance decreased by \$375,401 from \$1,302,256 to \$926,855.
- The Non-Major Special Revenues include the Physical Plant and Equipment Levy (PPEL) and Management Fund. The Non-Major Special Revenues Fund balance decreased by \$299,824 from \$604,560 to \$304,736.
- The Capital Projects Fund balance decreased \$2,181,184 from \$2,181,184 to \$0 as the Indianola HS Renovation Project was completed.

Business-Type Fund Highlight

- The School Nutrition Fund balance increased \$21,190 from \$146,853 to \$168,043.

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 2004, the District had invested \$29,517,920, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. More detailed information about capital assets is available in Note 4 to the financial statements.

Long-Term Debt

At year-end, the district had \$18,813,272 in general obligation debt and other long-term debt outstanding. This represents a decrease of \$1,094,050 from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis (Continued)

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:

- The Iowa legislature set 2004-05 allowable growth at 4%.
- The 2004 budget enrollment increased by 30.9 students to 3205.7.
- Effective July 1, 2004, Dr. Mike Teigland became the Superintendent of the Indianola Community School District.

- **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 2nd Avenue, Indianola, IA 50125.

BASIC FINANCIAL STATEMENTS

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments			
ISCAP	\$ 2,611,137	-	2,611,137
Other	3,124,025	147,869	3,271,894
Receivables			
Property tax:			
Current year delinquent	86,619	-	86,619
Succeeding year	9,697,768	-	9,697,768
Accounts	16,231	361	16,592
Accrued interest - ISCAP	-	-	-
Interfund receivable	86,851	-	86,851
Due from other governments	203,597	-	203,597
Inventories	-	56,711	56,711
Capital assets, net of accumulated depreciation	<u>29,517,920</u>	<u>310,028</u>	<u>29,827,948</u>
 Total assets	 <u>45,344,148</u>	 <u>514,969</u>	 <u>45,859,117</u>
Liabilities			
Accounts payable	271,464	4,842	276,306
Excess of warrants over bank balance	-	-	-
Salaries and benefits payable	1,977,539	68,902	2,046,441
Accrued interest payable	70,270	-	70,270
ISCAP warrants payable	2,587,000	-	2,587,000
ISCAP accrued interest payable	29,337	-	29,337
Deferred revenue			
Succeeding year property tax	9,697,768	-	9,697,768
Compensated absences	49,609	4,447	54,056
Interfund payable	-	86,851	86,851

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A
(Continued)

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities (Continued)			
Long-term liabilities:			
Portion due within one year:			
Bonds payable	900,000	-	900,000
Capital loan notes payable	250,000	-	250,000
Other long-term debt payable	86,294	-	86,294
Portion due after one year:			
Bonds payable	16,305,000	-	16,305,000
Capital loan notes payable	1,195,000	-	1,195,000
Other long-term debt payable	22,922	-	22,922
Total liabilities	<u>33,442,203</u>	<u>165,042</u>	<u>33,607,245</u>
Net assets			
Invested in capital assets, net of related debt	10,867,920	310,028	11,177,948
Fund balances			
Restricted for			
Inventories	-	56,711	56,711
Management levy	59,260	-	59,260
Physical plant and equipment levy	106,207	-	106,207
Other special revenue purposes	139,269	-	139,269
Undesignated	<u>729,289</u>	<u>(16,812)</u>	<u>712,477</u>
Total net assets	<u>\$ 11,901,945</u>	<u>349,927</u>	<u>\$ 12,251,872</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities
June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 9,766,336	764,888	536,714
Special education instruction	3,598,618	229,553	490,754
Vocational instruction	567,896	584	38,486
Co-curricular instruction	909,225	460,018	12,552
	<u>14,842,075</u>	<u>1,455,043</u>	<u>1,078,506</u>
Support services:			
Student support services	792,012	-	-
Instructional staff support services	1,021,178	-	271,693
General administration services	265,751	-	-
Building administration services	1,341,464	-	-
Operation and maintenance of plant services	2,434,681	52,856	5,753
Transportation services	736,287	4,117	4,175
Central services	498,009	-	-
Community service and education operations	5,000	-	-
	<u>7,094,382</u>	<u>56,973</u>	<u>281,621</u>
Other expenditures:			
Facilities acquisition	610,983	-	-
Long-term debt:			
Interest and fiscal charges	1,013,824	-	-
AEA flowthrough	848,257	-	848,257
Depreciation (unallocated)*	60,290	-	-
	<u>2,533,354</u>	<u>-</u>	<u>848,257</u>
Total governmental activities	24,469,811	1,512,016	2,208,384

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
(8,464,734)	-	(8,464,734)
(2,878,311)	-	(2,878,311)
(528,826)	-	(528,826)
(436,655)	-	(436,655)
<u>(12,308,526)</u>	<u>-</u>	<u>(12,308,526)</u>
(792,012)	-	(792,012)
(749,485)	-	(749,485)
(265,751)	-	(265,751)
(1,341,464)	-	(1,341,464)
(2,376,072)	-	(2,376,072)
(727,995)	-	(727,995)
(498,009)	-	(498,009)
(5,000)	-	(5,000)
<u>(6,755,788)</u>	<u>-</u>	<u>(6,755,788)</u>
(610,983)	-	(610,983)
(1,013,824)	-	(1,013,824)
-	-	-
(60,290)	-	(60,290)
<u>(1,685,097)</u>	<u>-</u>	<u>(1,685,097)</u>
(20,749,411)	-	(20,749,411)

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities
June 30, 2004

		Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs (Continued)			
Business-Type activities:			
Non-instructional programs:			
Nutrition and child care services	1,821,816	1,345,548	309,154
 Total	\$ 26,291,627	2,857,564	2,517,538

General Revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Unrestricted state grants
- Unrestricted investments earnings
- Other

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.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
-	(167,114)	(167,114)
<u>(20,749,411)</u>	<u>(167,114)</u>	<u>(20,916,525)</u>
\$ 6,260,323	-	6,260,323
1,791,023	-	1,791,023
1,402,054	-	1,402,054
11,297,468	-	11,297,468
48,031	-	48,031
<u>21,851</u>	<u>236,013</u>	<u>257,864</u>
<u>20,820,750</u>	<u>236,013</u>	<u>21,056,763</u>
71,339	68,899	140,238
<u>11,830,606</u>	<u>281,028</u>	<u>12,111,634</u>
<u>\$ 11,901,945</u>	<u>349,927</u>	<u>12,251,872</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

Assets	General	Debt Service
Cash and pooled investments		
ISCAP	\$ 2,611,137	-
Other	2,733,013	15,197
Receivables		
Property tax:		
Current year delinquent	57,468	16,332
Succeeding year	6,627,007	1,601,436
Accounts	13,710	-
Accrued interest - ISCAP	-	-
Interfund receivable	86,851	-
Due from other governments	203,597	-
 Total assets	 \$ 12,332,783	 1,632,965
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 185,045	-
Salaries and benefits payable	1,977,539	-
Other payables	-	-
ISCAP warrants payable	2,587,000	-
ISCAP accrued interest payable	29,337	-
Deferred revenue		
Succeeding year property tax	6,627,007	1,601,436
Total liabilities	11,405,928	1,601,436
 Fund balances		
Reserved for		
Other	50,981	-
Debt service	-	31,529
Unreserved		
Undesignated	875,874	-
Total fund equity	926,855	31,529
 Total liabilities and fund balances	 \$ 12,332,783	 1,632,965

See notes to financial statements.

<u>Nonmajor Special Revenue</u>	<u>Total</u>
-	2,611,137
375,815	3,124,025
12,819	86,619
1,469,325	9,697,768
2,521	16,231
-	-
-	86,851
-	203,597
<u>1,860,480</u>	<u>15,826,228</u>
86,419	271,464
-	1,977,539
-	-
-	2,587,000
-	29,337
<u>1,469,325</u>	<u>9,697,768</u>
<u>1,555,744</u>	<u>14,563,108</u>
-	50,981
-	31,529
<u>304,736</u>	<u>1,180,610</u>
<u>304,736</u>	<u>1,263,120</u>
<u>1,860,480</u>	<u>15,826,228</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit D

Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
June 30, 2004

Total fund balances of governmental funds	\$ 1,263,120
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.	29,517,920
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.	(70,270)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(18,808,825)</u>
Net assets of governmental activities	<u>\$ 11,901,945</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, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues					
Local sources:					
Local tax	\$ 6,260,323	1,791,023	-	1,402,054	9,453,400
Tuition	779,808	-	-	-	779,808
Other	382,694	-	81,267	445,746	909,707
State sources	12,853,682	1,465	-	1,150	12,856,297
Federal sources	615,349	-	-	124,054	739,403
Total revenues	<u>20,891,856</u>	<u>1,792,488</u>	<u>81,267</u>	<u>1,973,004</u>	<u>24,738,615</u>
Expenditures					
Current:					
Instruction:					
Regular instruction	9,349,986	-	-	327	9,350,313
Special education instruction	3,527,195	-	-	-	3,527,195
Vocational instruction	545,547	-	-	-	545,547
Co-curricular instruction	424,195	-	-	448,916	873,111
	<u>13,846,923</u>	<u>-</u>	<u>-</u>	<u>449,243</u>	<u>14,296,166</u>
Support services:					
Student support services	748,148	-	-	-	748,148
Instructional staff support services	1,074,293	-	-	-	1,074,293
General administration services	258,592	-	-	-	258,592
Building administration services	1,301,109	-	-	-	1,301,109
Operation and maintenance of plant services	2,321,262	-	-	95,044	2,416,306
Transportation services	738,542	-	-	28,106	766,648
Central services	125,131	-	-	372,878	498,009
Community service and education operations	5,000	-	-	-	5,000
	<u>6,572,077</u>	<u>-</u>	<u>-</u>	<u>496,028</u>	<u>7,068,105</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E
(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Expenditures (Continued)					
Other expenditures:					
Facilities acquisition and construction	-	-	2,184,239	1,093,499	3,277,738
Long-term debt:					
Principal	-	1,091,464	-	-	1,091,464
Interest and fiscal charges	-	1,017,459	-	-	1,017,459
AEA flowthrough	848,257	-	-	-	848,257
	<u>848,257</u>	<u>2,108,923</u>	<u>2,184,239</u>	<u>1,093,499</u>	<u>6,234,918</u>
Total expenditures	<u>21,267,257</u>	<u>2,108,923</u>	<u>2,184,239</u>	<u>2,038,770</u>	<u>27,599,189</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(375,401)</u>	<u>(316,435)</u>	<u>(2,102,972)</u>	<u>(65,766)</u>	<u>(2,860,574)</u>
Other financing sources (uses)					
Interfund transfers	<u>-</u>	<u>312,270</u>	<u>(78,212)</u>	<u>(234,058)</u>	<u>-</u>
Net change in fund balances	(375,401)	(4,165)	(2,181,184)	(299,824)	(2,860,574)
Fund balances, beginning of year	<u>1,302,256</u>	<u>35,694</u>	<u>2,181,184</u>	<u>604,560</u>	<u>4,123,694</u>
Fund balances, end of year	<u>\$ 926,855</u>	<u>31,529</u>	<u>-</u>	<u>304,736</u>	<u>1,263,120</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, 2004

Net change in fund balances - total governmental funds	\$	(2,860,574)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>		
<p>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:</p>		
Capital outlays	\$ 2,737,683	
Depreciation expense	<u>(903,962)</u>	1,833,721
<p>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.</p>		
		1,091,464
<p>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.</p>		
		3,635
<p>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.</p>		
Early retirement	\$ 10,410	
Compensated absences	<u>(7,317)</u>	<u>3,093</u>
Change in net assets of governmental activities	\$	<u><u>71,339</u></u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit G

Balance Sheet
Proprietary Funds
June 30, 2004

	School Nutrition	Nonmajor Proprietary	Total
Assets			
Cash and pooled investments	\$ 52,797	95,072	147,869
Accounts receivable	-	361	361
Inventories	56,711	-	56,711
Property and equipment - net	<u>81,742</u>	<u>228,286</u>	<u>310,028</u>
 Total assets	 <u>\$ 191,250</u>	 <u>323,719</u>	 <u>514,969</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	\$ 2,778	2,064	4,842
Salaries and benefits payable	17,979	50,923	68,902
Compensated absences	2,450	1,997	4,447
Interfund payable	<u>-</u>	<u>86,851</u>	<u>86,851</u>
Total liabilities	<u>23,207</u>	<u>141,835</u>	<u>165,042</u>
Net assets:			
Invested in capital assets	81,742	228,286	310,028
Reserved for inventory	56,711	-	56,711
Unreserved	<u>29,590</u>	<u>(46,402)</u>	<u>(16,812)</u>
Total fund equity	<u>168,043</u>	<u>181,884</u>	<u>349,927</u>
 Total liabilities and net assets	 <u>\$ 191,250</u>	 <u>323,719</u>	 <u>514,969</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, 2004

	<u>School Nutrition</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating revenue			
Local sources:			
Charges for services	\$ 842,751	502,797	1,345,548
Sale of property	-	235,000	235,000
Miscellaneous	-	5,513	5,513
Total operating revenue	<u>842,751</u>	<u>743,310</u>	<u>1,586,061</u>
Operating expenses			
Non-instructional programs			
Food service and child care operations			
Salaries	433,337	305,015	738,352
Benefits	91,899	53,231	145,130
Purchased services	4,571	35,235	39,806
Supplies	571,946	116,811	688,757
Property	11,283	187,415	198,698
Depreciation	11,073	-	11,073
Total operating expenses	<u>1,124,109</u>	<u>697,707</u>	<u>1,821,816</u>
Operating income (loss)	<u>(281,358)</u>	<u>45,603</u>	<u>(235,755)</u>
Non-operating revenue			
State sources	11,037	2,106	13,143
Federal sources	291,511	-	291,511
	<u>302,548</u>	<u>2,106</u>	<u>304,654</u>
Change in net assets	21,190	47,709	68,899
Net assets, beginning of year	<u>146,853</u>	<u>134,175</u>	<u>281,028</u>
Net assets, end of year	<u>\$ 168,043</u>	<u>181,884</u>	<u>349,927</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	School Nutrition	Nonmajor Proprietary	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 844,737	-	844,737
Cash received for child care fees	-	527,925	527,925
Cash received for sale of property	-	235,000	235,000
Cash payments to employees for services	(515,100)	(338,772)	(853,872)
Cash payments to suppliers for goods and services	(526,096)	(349,117)	(875,213)
Net cash provided (used) by operating activities	<u>(196,459)</u>	<u>75,036</u>	<u>(121,423)</u>
Cash flows from non-capital financing activities			
Advances from general fund	-	7,978	7,978
State grants received	11,037	2,106	13,143
Federal grants received	224,085	-	224,085
Net cash provided (used) by non-capital financing activities	<u>235,122</u>	<u>10,084</u>	<u>245,206</u>
Cash flows from capital and related financing activities			
Net change in capital assets	<u>(52,307)</u>	<u>(59,882)</u>	<u>(112,189)</u>
Net cash provided (used) by capital and related financing activities	<u>(52,307)</u>	<u>(59,882)</u>	<u>(112,189)</u>
Net increase in cash and cash equivalents	(13,644)	25,238	11,594
Cash and cash equivalents beginning of year	<u>66,441</u>	<u>69,834</u>	<u>136,275</u>
Cash and cash equivalents end of year	<u>\$ 52,797</u>	<u>95,072</u>	<u>147,869</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (281,358)	45,603	(235,755)
Depreciation expense	11,073	-	11,073
Commodities used	67,426	-	67,426
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Decrease in accounts receivable	1,986	19,615	21,601
Increase in inventories	(4,715)	-	(4,715)
Decrease in accounts payable	(1,007)	(9,656)	(10,663)
Increase in salaries and benefits payable	10,136	19,474	29,610
Net cash provided by (used) by operating activities	<u>\$ (196,459)</u>	<u>75,036</u>	<u>(121,423)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received Federal commodities valued at \$62,888 and consumed Federal commodities of \$67,426 during the year.

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

Assets	Agency
Cash and pooled investments	\$ 51,018
Other receivables	2,000
 Total assets	 \$ 53,018
 Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 1,029
Other payables	51,989
 Total Liabilities	 \$ 53,018

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements
June 30, 2004

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, 2004

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, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation – Continued

The 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, 2004

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 judgements, 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 balance sheet:

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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, 2004

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.

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, 2004

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, 2004. 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.

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, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

2. CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$164,353 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

3. IOWA SCHOOL CASH ANTICIPATION PROGRAM

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04A	6/20/2003	6/18/2004	\$ 2,611,137	-	2,587,000	-
2003-04B	1/20/2004	1/28/2005	-	-	-	-
			<u>\$ 2,611,137</u>	<u>-</u>	<u>2,587,000</u>	<u>-</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	-	-	-
2003-04B	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

3. IOWA SCHOOL CASH ANTICIPATION PROGRAM - Continued

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.051%

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End Of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 905,000	-	-	905,000
Construction in progress	1,579,582	181,292	1,579,582	181,292
	2,484,582	181,292	1,579,582	1,086,292
Capital assets being depreciated:				
Buildings	30,977,989	3,798,650	-	34,776,639
Improvements other than buildings	202,573	-	-	202,573
Furniture and equipment	3,186,026	337,323	42,195	3,481,154
	34,366,588	4,135,973	42,195	38,460,366
Less accumulated depreciation for:				
Buildings	6,693,973	696,024	-	7,389,997
Improvements other than buildings	149,261	9,872	-	159,133
Furniture and equipment	2,323,737	198,066	42,195	2,479,608
	9,166,971	903,962	42,195	10,028,738
Total capital assets being depreciated, net	25,199,617	3,232,011	-	28,431,628
Governmental activities capital assets, net	\$ 27,684,199	3,413,303	1,579,582	29,517,920
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 168,404	228,286	168,404	228,286
Capital assets being depreciated:				
Furniture and equipment	125,074	52,307	-	177,381
Less accumulated depreciation	84,566	11,073	-	95,639
	40,508	41,234	-	81,742
Business-type activities capital assets, net	\$ 208,912	269,520	168,404	310,028

Notes to Financial Statements - Continued
June 30, 2004

4. **CAPITAL ASSETS –Continued**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 438,452
Special	74,659
Vocational	30,359
Co-curricular	58,346

Support services:

Student support	43,864
Instructional staff	5,670
General administration	5,504
Building administration	42,123
Operation and maintenance of plant	38,616
Transportation	<u>106,079</u>

843,672

Unallocated depreciation

60,290

Total governmental activities depreciation expense

\$ 903,962

Business-type activities:

Food services	<u>\$ 11,073</u>
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5. **LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 18,055,000	-	850,000	17,205,000	900,000
Capital loan notes	1,675,000	-	230,000	1,445,000	250,000
Street assessments	45,850	-	11,464	34,386	11,464
Early retirement	85,240	74,830	85,240	74,830	74,830
Compensated absences	<u>46,232</u>	<u>54,056</u>	<u>46,232</u>	<u>54,056</u>	<u>54,056</u>
 Total	 <u>\$ 19,907,322</u>	 <u>128,886</u>	 <u>1,222,936</u>	 <u>18,813,272</u>	 <u>1,290,350</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

5. LONG-TERM LIABILITIES - CONTINUED

Early Retirement

The District offers a voluntary early retirement plan to its certified 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, 2004, totaled \$74,830.

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30	Bond Issue of August 1, 1994			Bond Issue of March 1, 1995		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2005	5.60	\$ 42,950	370,000	5.45	\$ 291,188	385,000
2006	5.70	22,230	390,000	5.55	270,205	410,000
2007	defeased	-	-	5.65	247,450	425,000
2008	defeased	-	-	5.75	223,437	445,000
2009	defeased	-	-	5.80	197,850	485,000
2010	defeased	-	-	5.85	169,720	500,000
2011	defeased	-	-	5.90	140,470	530,000
2012	defeased	-	-	6.00	109,200	560,000
2013	defeased	-	-	6.00	75,600	605,000
2014	defeased	-	-	6.00	39,300	655,000
2015		-	-		-	-
2016		-	-		-	-
2017		-	-		-	-
2018		-	-		-	-
2019		-	-		-	-
2020		-	-		-	-
2021		-	-		-	-
		<u>\$ 65,180</u>	<u>760,000</u>		<u>\$ 1,764,420</u>	<u>5,000,000</u>

Refunding Bond Issue of April 1, 1998			Bond Issue of January 1, 2002			Total	
Interest Rates	Interest	Principal	Interest Rates	Interest	Principal	Interest	Principal
4.45	\$ 191,365	70,000	4.50	\$ 374,533	75,000	\$ 900,036	900,000
4.50	188,250	70,000	4.50	371,159	80,000	851,844	950,000
4.55	185,100	485,000	4.50	367,559	90,000	800,109	1,000,000
4.60	163,033	505,000	4.50	363,509	100,000	749,979	1,050,000
4.65	139,802	530,000	4.50	359,009	100,000	696,661	1,115,000
4.75	115,158	550,000	4.50	354,509	105,000	639,387	1,155,000
4.85	89,032	575,000	4.75	349,784	120,000	579,286	1,225,000
4.90	61,145	605,000	4.75	344,084	125,000	514,429	1,290,000
5.00	31,500	630,000	5.00	338,146	125,000	445,246	1,360,000
	-	-	5.00	331,896	100,000	371,196	755,000
	-	-	5.00	326,896	790,000	326,896	790,000
	-	-	5.00	287,396	830,000	287,396	830,000
	-	-	5.05	245,896	865,000	245,896	865,000
	-	-	5.10	202,213	910,000	202,213	910,000
	-	-	5.13	155,804	955,000	155,804	955,000
	-	-	5.20	106,860	1,000,000	106,860	1,000,000
	-	-	5.20	54,860	1,055,000	54,860	1,055,000
	<u>\$ 1,164,385</u>	<u>4,020,000</u>		<u>\$ 4,934,113</u>	<u>7,425,000</u>	<u>7,928,098</u>	<u>17,205,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable- Continued

In August 1994 and March 1995, the District issued \$7,260,000 and \$7,525,000, respectively, General Obligation Bonds. The proceeds from the bonds were used to build a new middle school, construct additions to two elementary schools and to remodel a portion of the existing high school.

In November 1996 the District was assessed for street construction in connection with building a new middle school.

In April 1998 the District issued \$4,350,000 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 \$4,030,000 of refunded debt representing the June 2007 through June 2014 maturities of the bond issue of August 1, 1994. As a result the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group.

In April 1999 the District issued \$2,265,000 General Obligation Capital Loan Notes. Proceeds from the notes were used for repair and renovation of an elementary school building.

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, 2004

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

Capital Loan Note and Street Assessments

Year Ending June 30	Capital Loan Note of April 1, 1999			Street Assessments of November 18, 1996		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2005	3.90	\$ 58,970	250,000	6.50	\$ 2,235	11,464
2006	4.00	49,220	265,000	6.50	1,490	11,464
2007	4.10	38,620	285,000	6.50	751	11,458
2008	4.15	26,935	310,000		-	-
2009	4.20	14,070	335,000		-	-
		<u>\$ 187,815</u>	<u>1,445,000</u>		<u>\$ 4,476</u>	<u>34,386</u>

6. **INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances as of June 30, 2004 consisted of the following interfund receivables and payables:

	Receivable	Payable
General fund	\$ 86,851	-
Enterprise funds		
Home building fund	-	86,851
	<u>\$ 86,851</u>	<u>86,851</u>

7. **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 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$824,648, \$788,969, and \$809,588 respectively, equal to the required contributions for each year.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2004

8. **RISK MANAGEMENT**

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 \$848,257 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. **CONSTRUCTION COMMITMENTS**

The District entered into various contracts totaling \$466,299 for a high school gym floor and bleachers and elementary building roof replacement. At June 30, 2004, \$179,069 of the contracts were 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, 2004

	<u>Governmental Fund Types Actual</u>	<u>Proprietary Funds Actual</u>
Receipts		
Local sources	\$ 11,142,915	1,586,061
State sources	12,856,297	13,143
Federal sources	<u>739,403</u>	<u>291,511</u>
Total receipts	<u>24,738,615</u>	<u>1,890,715</u>
Disbursements		
Instruction	14,296,166	-
Support services	7,068,105	-
Noninstructional programs	-	1,821,816
Other expenditures	<u>6,234,918</u>	<u>-</u>
Total disbursements	<u>27,599,189</u>	<u>1,821,816</u>
Excess (deficiency) of receipts over (under) disbursements	(2,860,574)	68,899
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,860,574)	68,899
Balance, beginning of year	<u>4,123,694</u>	<u>281,028</u>
Balance, end of year	<u><u>\$ 1,263,120</u></u>	<u><u>349,927</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
12,728,976	12,839,384	12,839,384	(110,408)
12,869,440	13,249,638	13,249,638	(380,198)
1,030,914	840,000	840,000	190,914
<u>26,629,330</u>	<u>26,929,022</u>	<u>26,929,022</u>	<u>(299,692)</u>
14,296,166	14,333,242	14,333,242	37,076
7,068,105	6,739,393	6,739,393	(328,712)
1,821,816	2,127,469	2,127,469	305,653
6,234,918	5,631,253	5,631,253	(603,665)
<u>29,421,005</u>	<u>28,831,357</u>	<u>28,831,357</u>	<u>(589,648)</u>
(2,791,675)	(1,902,335)	(1,902,335)	(889,340)
<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>
(2,791,675)	(1,897,335)	(1,897,335)	(894,340)
<u>4,404,722</u>	<u>3,589,323</u>	<u>3,589,323</u>	<u>815,399</u>
<u>1,613,047</u>	<u>1,691,988</u>	<u>1,691,988</u>	<u>(78,941)</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2004

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 ended June 30, 2004, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2004

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 56,459	156,183	163,173	375,815
Receivables				
Property tax				
Current year delinquent	5,125	-	7,694	12,819
Succeeding year	580,000	-	889,325	1,469,325
Accounts	<u>-</u>	<u>2,521</u>	<u>-</u>	<u>2,521</u>
 Total assets	 <u>\$ 641,584</u>	 <u>158,704</u>	 <u>1,060,192</u>	 <u>1,860,480</u>
LIABILITIES & FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,324	19,435	64,660	86,419
Excess of warrants over bank balance	-	-	-	-
Deferred revenue:				
Succeeding year property tax	<u>580,000</u>	<u>-</u>	<u>889,325</u>	<u>1,469,325</u>
Total liabilities	<u>582,324</u>	<u>19,435</u>	<u>953,985</u>	<u>1,555,744</u>
Fund balances				
Unreserved fund balances	<u>59,260</u>	<u>139,269</u>	<u>106,207</u>	<u>304,736</u>
 Total liabilities and fund balances	 <u>\$ 641,584</u>	 <u>158,704</u>	 <u>1,060,192</u>	 <u>1,860,480</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, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 558,335	-	843,719	1,402,054
Other	-	436,702	9,044	445,746
State sources	460	-	690	1,150
Federal sources	-	-	124,054	124,054
Total revenues	558,795	436,702	977,507	1,973,004
Expenditures:				
Current:				
Instruction:				
Regular instruction	327	-	-	327
Co-curricular program instruction	-	448,916	-	448,916
Support services:				
Operation and maintenance of plant services	95,044	-	-	95,044
Transportation services	28,106	-	-	28,106
Central services	372,878	-	-	372,878
Other expenditures:				
Facilities acquisition and construction	-	-	1,093,499	1,093,499
Total expenditures	496,355	448,916	1,093,499	2,038,770
Excess (deficiency) of revenues over (under) expenditures	62,440	(12,214)	(115,992)	(65,766)
Other financing (uses):				
Transfer from capital projects	-	-	78,212	78,212
Transfer from student activity	-	(3,000)	3,000	-
Transfer to debt service	-	-	(312,270)	(312,270)
	-	(3,000)	(231,058)	(234,058)
Net change in fund balances	62,440	(15,214)	(347,050)	(299,824)
Fund balances beginning of year	(3,180)	154,483	453,257	604,560
Fund balances end of year	\$ 59,260	139,269	106,207	304,736

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Balance Sheet
 Nonmajor Proprietary Funds
 June 30, 2004

	Child Care	Home Building	Total
Assets			
Cash and pooled investments	\$ 95,072	-	95,072
Accounts receivable	361	-	361
Property and equipment - net	<u>-</u>	<u>228,286</u>	<u>228,286</u>
 Total assets	 <u>\$ 95,433</u>	 <u>228,286</u>	 <u>323,719</u>
Liabilities & Net Assets			
Liabilities:			
Accounts payable	\$ 1,539	525	2,064
Salaries and benefits payable	50,817	106	50,923
Compensated absences	1,997	-	1,997
Interfund	<u>-</u>	<u>86,851</u>	<u>86,851</u>
Total liabilities	<u>54,353</u>	<u>87,482</u>	<u>141,835</u>
Net assets:			
Unreserved	<u>41,080</u>	<u>140,804</u>	<u>181,884</u>
 Total liabilities and net assets	 <u>\$ 95,433</u>	 <u>228,286</u>	 <u>323,719</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Proprietary Funds
Year ended June 30, 2004

	Child Care	Home Building	Total
Operating revenue:			
Other local sources:			
Charges for services	\$ 502,797	-	502,797
Sale of property	-	235,000	235,000
Miscellaneous	5,513	-	5,513
Total operating revenue	508,310	235,000	743,310
Operating expenses:			
Non-instructional programs:			
Child care operations			
Salaries	305,015	-	305,015
Benefits	53,231	-	53,231
Purchased services	35,235	-	35,235
Supplies	116,811	-	116,811
Property	4,030	183,385	187,415
Total operating expenses	514,322	183,385	697,707
Operating income	(6,012)	51,615	45,603
Non-operating revenues (expenses):			
State sources	2,106	-	2,106
Change in net assets	(3,906)	51,615	47,709
Net assets, beginning of year	44,986	89,189	134,175
Net assets, end of year	\$ 41,080	140,804	181,884

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Schedule of Cash Flows
 Nonmajor Proprietary Funds
 Year ended June 30, 2004

	Child Care	Home Building	Total
Cash flows from operating activities:			
Cash received for child care fees	\$ 527,925	-	527,925
Cash received for sale of property	-	235,000	235,000
Cash payments to employees for services	(338,772)	-	(338,772)
Cash payments to suppliers for goods and services	(166,021)	(183,096)	(349,117)
Net cash provided by (used in) operating activities	<u>23,132</u>	<u>51,904</u>	<u>75,036</u>
Cash flows from non-capital financing activities:			
Advances from general fund	-	7,978	7,978
State grants received	2,106	-	2,106
Net cash provided by non-capital financing activities	<u>2,106</u>	<u>7,978</u>	<u>10,084</u>
Cash flows from capital and related financing activities:			
Net change in capital assets	-	(59,882)	(59,882)
Net increase (decrease) in cash and cash equivalents	25,238	-	25,238
Cash and cash equivalents, beginning of year	<u>69,834</u>	-	<u>69,834</u>
Cash and cash equivalents, end of year	<u>\$ 95,072</u>	<u>-</u>	<u>95,072</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income	\$ (6,012)	51,615	45,603
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	19,615	-	19,615
Increase (decrease) in accounts payable	(9,945)	289	(9,656)
Increase (decrease) in salaries and benefits payable	19,474	-	19,474
Net cash provided by (used in) operating activities	<u>\$ 23,132</u>	<u>51,904</u>	<u>75,036</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, 2004

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Balance End of Year
Income on investments	\$ 18	-	-	18
High School Drama	8,100	16,480	21,788	2,792
Middle School Drama	1,763	693	1,708	748
High School Show Choir	5,750	1,520	200	7,070
High School Chorus	6,776	7,998	7,631	7,143
Middle School Swing Choir	1,065	1,816	2,522	359
High School JV Show Choir	2,820	6,699	5,151	4,368
High School Instrumental Music	5,852	8,211	11,374	2,689
High School Orchestra	1,311	3,607	3,083	1,835
High School Athletics	27,191	167,371	164,796	29,766
Middle School Athletics	15,441	22,148	32,491	5,098
Middle School Yearbook	1,519	10,243	10,283	1,479
Middle School Student Council	891	3,549	4,330	110
High School Student Council	307	4,535	4,482	360
High School Debate	552	207	439	320
High School Cheerleaders	(2,518)	19,799	13,021	4,260
High School Drill Team	(102)	14,709	14,960	(353)
Future Farmers of America	4,171	20,390	23,960	601
Future Homemakers of America	888	737	666	959
High School Art Club	790	2,786	2,402	1,174
High School Auditorium Club	1,139	560	405	1,294
FFA Steer Show	1,149	1,704	1,028	1,825
High School National Honor Society	238	2,142	1,915	465
Middle School Builders Club	-	535	443	92
High School Art Club Beverage	327	632	698	261
High School Multi-Occu. Career Club	237	-	-	237
Senior Class Athletic Boosters	458	1,310	909	859
Middle School Vending Account	1,174	820	552	1,442
Middle School Account	23,238	55,895	61,837	17,296
Adult Education	2,950	900	930	2,920
Learning Center	9,533	1,229	4,958	5,804
Emerson School Account	115	-	15	100

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 6
(Continued)

Schedule of Changes in Individual
Student Activity Accounts
Year ended June 30, 2004

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Balance End of Year
Middle School Library Pencil Machine	-	119	-	119
FFA Greenhouse	-	1,324	1,146	178
Emerson Sunshine Account	62	413	299	176
Emerson Pop Fund	1,766	419	1,238	947
Emerson Library/Media	1,840	4,764	5,023	1,581
Emerson General Account	4,260	1,384	3,936	1,708
Class of 2004	1,727	-	194	1,533
Class of 2005	-	16,546	15,753	793
High School Foreign Language	1,927	6,154	6,896	1,185
Emerson Mini Olympics	75	-	-	75
High School Peer Helpers	240	-	-	240
Middle School Book Fair	547	3,295	3,227	615
High School Administrative	15,678	23,004	15,131	23,551
Middle School Special Projects	<u>3,218</u>	<u>55</u>	<u>96</u>	<u>3,177</u>
 Total	 <u>\$ 154,483</u>	 <u>\$ 436,702</u>	 <u>\$ 451,916</u>	 <u>\$ 139,269</u>

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, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 40,878	99,032	88,892	51,018
Other receivables	<u>6,628</u>	<u>2,000</u>	<u>6,628</u>	<u>2,000</u>
 Total assets	 <u>\$ 47,506</u>	 <u>101,032</u>	 <u>95,520</u>	 <u>53,018</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 10,964	1,029	10,964	1,029
Other payables	<u>36,542</u>	<u>94,404</u>	<u>78,957</u>	<u>51,989</u>
 Total Liabilities	 <u>\$ 47,506</u>	 <u>95,433</u>	 <u>89,921</u>	 <u>53,018</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

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

	Modified Accrual Basis			
	Years ended June 30,			
	2004	2003	2002	2001
Revenues				
Local sources:				
Local tax	\$ 9,453,400	9,114,925	8,823,079	7,671,651
Tuition	779,808	699,955	823,841	847,606
Other	909,707	1,075,027	901,729	797,823
State sources	12,856,297	12,888,619	13,836,344	13,415,215
Federal sources	<u>739,403</u>	<u>495,941</u>	<u>331,431</u>	<u>300,299</u>
 Total revenues	 <u>\$ 24,738,615</u>	 <u>24,274,467</u>	 <u>24,716,424</u>	 <u>23,032,594</u>
Expenditures				
Instruction:				
Regular instruction	\$ 9,350,313	8,930,165	8,757,513	8,509,522
Special education instruction	3,527,195	3,310,436	3,472,300	3,370,181
Vocational instruction	545,547	537,373	584,323	604,215
Co-curricular instruction	873,111	876,407	922,043	847,631
Support services:				
Student support services	748,148	705,013	651,595	660,665
Instructional staff support services	1,074,293	890,588	1,307,953	1,168,851
General administration services	258,592	194,417	187,284	193,743
Building administration services	1,301,109	1,262,311	1,406,263	1,253,107
Operation and maintenance of plant services	2,416,306	2,185,046	1,968,640	2,179,465
Transportation services	766,648	747,189	658,979	657,968
Central services	498,009	362,658	135,735	141,955
Community service and education operations	5,000	426	2,247	-
Other expenditures:				
Facilities acquisition and construction	3,277,738	4,309,519	2,916,918	547,909
Long-term debt:				
Principal	1,091,464	966,464	916,464	860,000
Interest and fiscal charges	1,017,459	1,223,158	732,723	774,467
AEA flowthrough	<u>848,257</u>	<u>898,153</u>	<u>901,155</u>	<u>912,761</u>
 Total expenditures	 <u>\$ 27,599,189</u>	 <u>27,399,323</u>	 <u>25,522,135</u>	 <u>22,682,440</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution Program (non-cash)	10.550	FY04	\$ <u>62,888</u>
Child Nutrition Cluster			
School Breakfast Program	10.553	FY04	24,779
National School Lunch Program	10.555	FY04	175,991
Fruit and Vegetable Pilot Program	10.556	FY04	23,946
Special Milk Program	10.556	FY04	<u>3,908</u>
			<u>228,624</u>
Child and Adult Care Food Program	10.558	FY04	<u>2,106</u>
			<u>293,618</u>
Department of Education:			
Iowa Department of Education:			
Title I Program	84.010	FY04	179,237
Safe and Drug Free Schools Program	84.186	FY04	13,687
Innovative Programs (Title V)	84.203	FY04	15,544
Perkins Vocation Education Grant	84.048A	FY04	30,796
Comprehensive School Reform Program	84.332	FY04	120,591
Teacher Quality Programs (Title II)	84.349	FY04	91,271
Fire (Life) Safety Grant	84.215	FY04	150,000
Statewide Assessment (Title VI)	84.369	FY04	<u>18,924</u>
			<u>620,050</u>
			<u>\$ 913,668</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.

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

To the Board of Education of the
Indianola Community School District

We have audited the general purpose financial statements of Indianola Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indianola Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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. It 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 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.

October 19, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

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, 2004. 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 grants 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, Chapter 11 of the Code of Iowa, 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 provisions 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, 2004.

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 grants 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

October 19, 2004

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (A) An unqualified opinion was issued on the financial statements.
- (B) The audit did not disclose any reportable conditions 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 10.550 – Food Distribution Program
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
- (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

Part IV: Other Findings Related to Required Statutory Reporting:

- 04-IV-A Official Depositories - A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2004

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

04-IV-B Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the certified budget amounts in the support services and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

04-IV-C 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.

04-IV-D 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.

04-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.

04-IV-F 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.

04-IV-G 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, 2004

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

- 04-IV-H Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 04-IV-I 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.
- 04-IV-J Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant discrepancies in the amounts reported.