

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Schedule of Funding Progress for the Retiree Health Plan		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44-47
Fiduciary Fund - Private Purpose Trust Funds:		
Combining Balance Sheet	4	48
Combining Statement of Changes in Fiduciary Net Assets	5	49
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	50
Internal Service Funds:		
Combining Statement of Net Assets	7	51
Combining Statement of Revenues, Expenditures and Changes in Net Assets	8	52
Combining Statement of Cash Flows	9	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10	54
Schedule of Expenditures of Federal Awards	11	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		56-57
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		58-59
Schedule of Findings and Questioned Costs		60-65

Knoxville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 election)		
Mike Husted	President	2009
Jeff Wallace	Vice President	2011
Scott Chambers	Board Member	2008
Dennis Goad	Board Member	2008
Tim McDonald	Board Member	2011
Board of Education (After September 2008 election)		
Jeff Wallace	President	2011
Tim McDonald	Vice President	2011
Leslie Miller	Board Member	2011
Mike Husted	Board Member	2009
Dennis Goad	Board Member	2009
School Officials		
Dr. Randy Flack	Superintendent	2009
Craig Mobley	Business Manager and District Secretary/Treasurer	2009
Drew Bracken	Attorney	Indefinite

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Knoxville 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 the Knoxville Community School District, Knoxville, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Knoxville Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2010 on our consideration of Knoxville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Knoxville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,988,635 in fiscal 2008 to \$16,693,085 in fiscal 2009, while General Fund expenditures increased from \$16,776,131 in fiscal 2008 to \$17,313,674 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$986,236 in fiscal 2008 to a balance of \$365,647 in fiscal 2009, a 62.92% decrease from the prior year.
- The increase in General Fund revenues was primarily attributable to increases in local and federal sources in fiscal 2009. The increase in expenditures was due primarily to an increase in expenses in the instructional functions.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 4.62% as compared to 1.10% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Knoxville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Knoxville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Knoxville Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

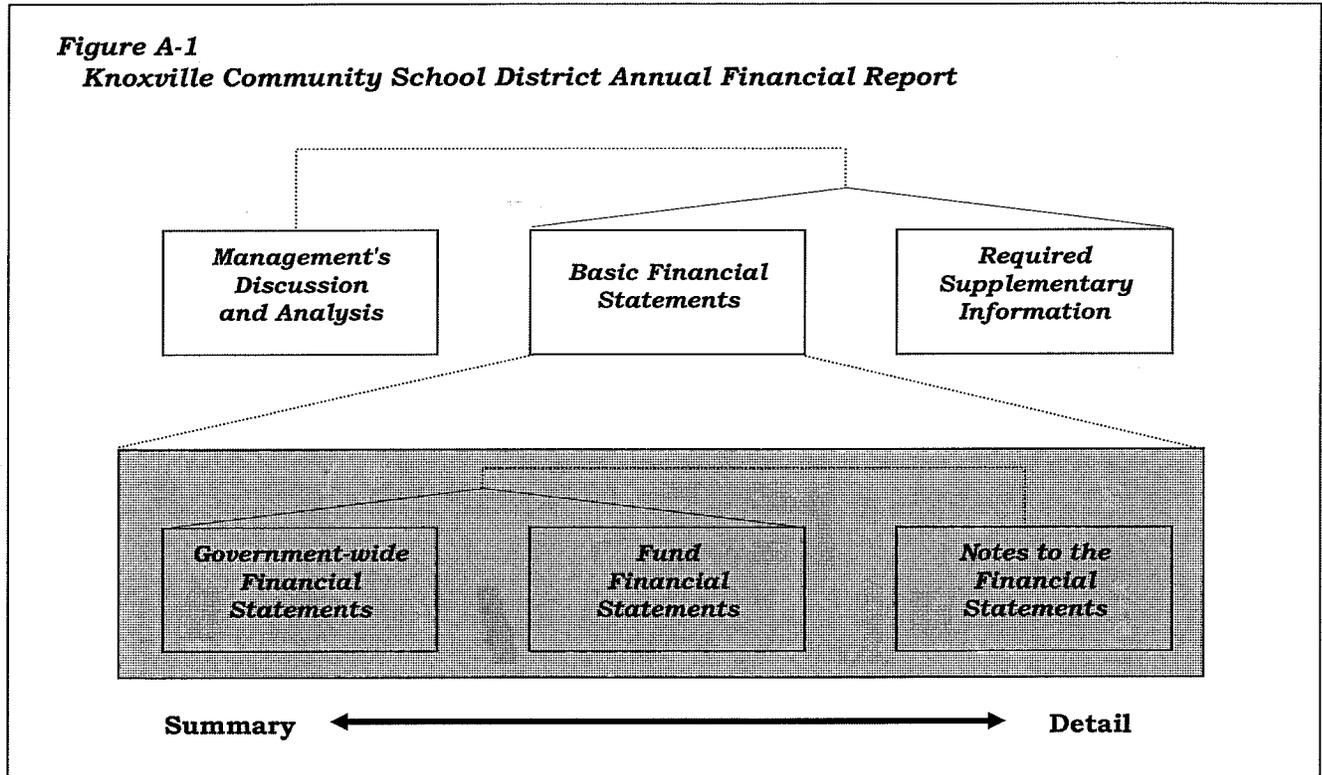


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial 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 government-wide financial 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. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-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 tax 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 is 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.

The District has three kinds of funds:

- 1) *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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *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 government-wide financial 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 one enterprise fund, the School Nutrition Fund. The District's internal service funds, another type of proprietary fund, are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has two internal service funds: Self-funded Health Insurance and Self-funded Dental Insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for Marion County Empowerment and Flex Spending accounts and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30, 2009	2008	June 30, 2009	2008	June 30, 2009	2008	
Current and other assets	\$ 12,825,858	11,689,097	360,314	304,463	13,186,172	11,993,560	9.94%
Capital assets	15,244,299	15,005,822	194,820	222,754	15,439,119	15,228,576	1.38%
Total assets	28,070,157	26,694,919	555,134	527,217	28,625,291	27,222,136	5.15%
Long-term obligations	7,757,175	8,957,983	3,563	0	7,760,738	8,957,983	-13.37%
Other liabilities	10,015,347	8,635,472	67,738	72,391	10,083,085	8,707,863	15.79%
Total liabilities	17,772,522	17,593,455	71,301	72,391	17,843,823	17,665,846	1.01%
Net assets:							
Invested in capital assets, net of related debt	8,354,299	6,865,822	194,820	222,754	8,549,119	7,088,576	20.60%
Restricted	2,061,040	1,815,069	0	0	2,061,040	1,815,069	13.55%
Unrestricted	(117,704)	420,573	289,013	232,072	171,309	652,645	-73.75%
Total net assets	\$ 10,297,635	9,101,464	483,833	454,826	10,781,468	9,556,290	12.82%

The District's combined net assets increased by 12.82%, or \$1,225,178, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$245,971, or 13.55%, over the prior year. This increase in restricted net assets was a result of the District's increase in Capital Projects and Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$481,336, or 73.75%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 1,056,552	968,830	402,755	414,648	1,459,307	1,383,478	5.48%
Operating grants and contributions and restricted interest	2,679,576	2,168,087	398,406	366,899	3,077,982	2,534,986	21.42%
Capital grants and contributions and restricted interest	259,596	0	0	0	259,596	0	100.00%
General revenues:							
Property tax	5,287,166	4,837,114	0	0	5,287,166	4,837,114	9.30%
Income surtax	490,152	462,830	0	0	490,152	462,830	5.90%
Statewide sales and services tax	1,295,713	1,142,735	0	0	1,295,713	1,142,735	13.39%
Unrestricted state grants	8,993,801	9,333,254	0	0	8,993,801	9,333,254	-3.64%
Other	201,110	218,445	775	4,765	201,885	223,210	-9.55%
Total revenues	20,263,666	19,131,295	801,936	786,312	21,065,602	19,917,607	5.76%
Program expenses:							
Governmental activities:							
Instructional	12,342,414	11,710,116	0	0	12,342,414	11,710,116	5.40%
Support services	5,299,637	5,186,052	839	875	5,300,476	5,186,927	2.19%
Non-instructional programs	0	0	772,090	763,942	772,090	763,942	1.07%
Other expenses	1,425,444	1,704,816	0	0	1,425,444	1,704,816	-16.39%
Total expenses	19,067,495	18,600,984	772,929	764,817	19,840,424	19,365,801	2.45%
Changes in net assets	1,196,171	530,311	29,007	21,495	1,225,178	551,806	122.03%
Beginning net assets	9,101,464	8,571,153	454,826	433,331	9,556,290	9,004,484	6.13%
Ending net assets	\$ 10,297,635	9,101,464	483,833	454,826	10,781,468	9,556,290	12.82%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 79.29% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.90% of the revenue from business type activities.

The District's total revenues were approximately \$21.07 million of which approximately \$20.27 million was for governmental activities and approximately \$0.80 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.76% increase in revenues and a 2.45% increase in expenses. Property tax increased \$450,052 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits, as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$20,263,666 and expenses were \$19,067,495.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 12,342,414	11,710,116	5.40%	9,301,731	9,252,157	0.54%
Support services	5,299,637	5,186,052	2.19%	5,288,518	5,170,136	2.29%
Other expenses	1,425,444	1,704,816	-16.39%	481,522	1,041,774	-53.78%
Totals	<u>\$ 19,067,495</u>	<u>18,600,984</u>	<u>2.51%</u>	<u>15,071,771</u>	<u>15,464,067</u>	<u>-2.54%</u>

- The cost financed by users of the District's programs was \$1,056,552.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,939,172.
- The net cost of governmental activities was financed with \$5,287,166 in property tax, \$490,152 in income surtax, \$1,295,713 in statewide sales and services tax, \$8,993,801 in unrestricted state grants, \$77,109 in interest income and \$124,001 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$801,936 and expenses were \$772,929. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,335,140, below last year's ending fund balance of \$2,645,840. The primary reason for the decrease in combined fund balance in fiscal 2009 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local sources and federal grants resulted in an increase in revenues. However, the increase in revenues was not enough to offset the increase in expenditures thus ensuring the decrease in General Fund balance.

-
- The General Fund balance decreased from \$986,236 to \$365,647, due in part to the increase in negotiated salary and benefits settlement. The 1.5% across-the-board reduction in state aid in fiscal 2009 forced the District to use carryover balance to fund the increase in expenditures during the year.
 - The Capital Projects Fund balance increased from \$272,681 in fiscal 2008 to \$416,826 in fiscal 2009. A combination of increased fund revenues along with decreased fund expenditures ensured the gain in fund balance during the fiscal year.
 - The Debt Service Fund balance increased from \$1,261,759 in fiscal 2008 to \$1,275,746 in fiscal 2009.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$454,826 at June 30, 2008 to \$483,833 at June 30, 2009, representing an increase of 6.38%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Knoxville Community School District amended its annual budget one time to reflect additional expenditures related to the stadium restoration project and other construction projects.

The District's revenues were \$114,260 less than budgeted revenues, a variance of less than 1%. The most significant positive variance resulted from the District receiving more in federal sources than originally anticipated. The negative variances in local and state source revenues were enough to offset the positive variance created by the federal source revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$15,439,119, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.38% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$616,141.

The original cost of the District's capital assets was \$24,206,811. Governmental funds account for \$23,622,164 with the remainder of \$584,647 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$101,506 at June 30, 2009, compared to \$382,877 reported at June 30, 2008. This decrease resulted from completion of the work on the High School EIFS Replacement, Ken Locke Stadium Restoration Project, Randy Wilson Track Concrete Project and East Elementary Roofing Project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 63,966	63,966	0	0	63,966	63,966	0.00%
Construction in progress	101,506	382,877	0	0	101,506	382,877	-73.49%
Buildings	14,514,762	13,994,390	0	0	14,514,762	13,994,390	3.72%
Machinery and equipment	564,065	564,589	194,820	222,754	758,885	787,343	-3.61%
Total	\$ 15,244,299	15,005,822	194,820	222,754	15,439,119	15,228,576	1.38%

Long-Term Debt

At June 30, 2009, the District had \$7,760,738 in general obligation and other long-term debt outstanding. This represents a decrease of 13.37% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$3,000,000 at June 30, 2009.

The District had outstanding revenue bonds of \$3,890,000 at June 30, 2009.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$733,715 at June 30, 2009.

The District has a Net OPEB liability of \$137,023 as of June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 3,000,000	3,680,000	0	0	3,000,000	3,680,000	-18.48%
Revenue bonds	3,890,000	4,460,000	0	0	3,890,000	4,460,000	-12.78%
Early retirement	733,715	817,983	0	0	733,715	817,983	-10.30%
Net OPEB obligation	133,460	0	3,563	0	137,023	0	100.00%
Total	\$ 7,757,175	8,957,983	3,563	0	7,760,738	8,957,983	-13.37%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced fluctuating enrollment for a few years, the District expects enrollment to decline over the next few years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections.

-
- With the September 25, 2009 ten percent across-the-board reduction, the district will need to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will have determine what cost saving measures we will implement and how much we can spend from our reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Mobley, District Treasurer and Business Manager, Knoxville Community School District, 309 W Main, Knoxville, Iowa, 50138.

BASIC FINANCIAL STATEMENTS

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S. Treasury Securities	\$ 1,161,411	0	1,161,411
ISCAP	2,291,721	0	2,291,721
Other	2,917,430	330,941	3,248,371
Receivables:			
Property tax:			
Delinquent	127,024	0	127,024
Succeeding year	5,469,498	0	5,469,498
Income surtax	436,154	0	436,154
Accounts	87,672	2,978	90,650
Accrued ISCAP interest	283	0	283
Due from other governments	334,665	0	334,665
Inventories	0	26,395	26,395
Capital assets, net of accumulated depreciation	15,244,299	194,820	15,439,119
TOTAL ASSETS	28,070,157	555,134	28,625,291
LIABILITIES			
Accounts payable	344,488	3,189	347,677
Salaries and benefits payable	1,792,319	51,833	1,844,152
Interest payable	80,297	0	80,297
ISCAP warrants payable	2,256,000	0	2,256,000
ISCAP interest payable	773	0	773
ISCAP premiums payable	43,671	0	43,671
Deferred revenue:			
Succeeding year property tax	5,469,498	0	5,469,498
Other	28,301	0	28,301
Unearned revenue	0	12,716	12,716
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	705,000	0	705,000
Revenue bonds payable	590,000	0	590,000
Early retirement payable	288,784	0	288,784
Portion due after one year:			
General obligation bonds payable	2,295,000	0	2,295,000
Revenue bonds payable	3,300,000	0	3,300,000
Early retirement payable	444,931	0	444,931
Net OPEB liability	133,460	3,563	137,023
TOTAL LIABILITIES	17,772,522	71,301	17,843,823
NET ASSETS			
Invested in capital assets, net of related debt	8,354,299	194,820	8,549,119
Restricted for:			
Debt service	1,275,746	0	1,275,746
Categorical funding	182,713	0	182,713
Physical plant and equipment levy	36,592	0	36,592
Capital projects	416,826	0	416,826
Other special revenue purposes	149,163	0	149,163
Unrestricted	(117,704)	289,013	171,309
TOTAL NET ASSETS	\$ 10,297,635	483,833	10,781,468

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type. Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,699,576	463,915	1,787,243	2,000	(5,446,418)	0	(5,446,418)
Special	2,311,281	19,387	196,053	0	(2,095,841)	0	(2,095,841)
Other	2,331,557	572,085	0	0	(1,759,472)	0	(1,759,472)
	12,342,414	1,055,387	1,983,296	2,000	(9,301,731)	0	(9,301,731)
Support services:							
Student	482,375	0	0	0	(482,375)	0	(482,375)
Instructional staff	397,057	0	0	0	(397,057)	0	(397,057)
Administration	2,054,254	0	0	0	(2,054,254)	0	(2,054,254)
Operation and maintenance of plant	1,703,324	0	0	0	(1,703,324)	0	(1,703,324)
Transportation	662,627	1,165	9,954	0	(651,508)	0	(651,508)
	5,299,637	1,165	9,954	0	(5,288,518)	0	(5,288,518)
Other expenditures:							
Facilities and acquisitions	0	0	0	257,596	257,596	0	257,596
Long-term debt interest	293,404	0	0	0	(293,404)	0	(293,404)
AEA flowthrough	686,326	0	686,326	0	0	0	0
Depreciation (unallocated)*	445,714	0	0	0	(445,714)	0	(445,714)
	1,425,444	0	686,326	257,596	(481,522)	0	(481,522)
Total governmental activities	19,067,495	1,056,552	2,679,576	259,596	(15,071,771)	0	(15,071,771)
Business Type activities:							
Support services:							
Administration services	839	0	0	0	0	(839)	(839)
Non-instructional programs:							
Nutrition services	772,090	402,755	398,406	0	0	29,071	29,071
Total business type activities	772,929	402,755	398,406	0	0	28,232	28,232
Total	\$ 19,840,424	1,459,307	3,077,982	259,596	(15,071,771)	28,232	(15,043,539)
General Revenues:							
Property tax for:							
General purposes				\$ 4,416,996	0	4,416,996	
Debt service				837,712	0	837,712	
Capital outlay				32,458	0	32,458	
Income surtax				490,152	0	490,152	
Statewide sales and services tax				1,295,713	0	1,295,713	
Unrestricted state grants				8,993,801	0	8,993,801	
Unrestricted investment earnings				77,109	775	77,884	
Other general revenues				124,001	0	124,001	
Total general revenues				16,267,942	775	16,268,717	
Changes in net assets				1,196,171	29,007	1,225,178	
Net assets beginning of year				9,101,464	454,826	9,556,290	
Net assets end of year				\$ 10,297,635	483,833	10,781,468	

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

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
U.S. Treasury Securities	\$ 0	1,161,411	0	1,161,411
ISCAP	2,291,721	0	0	2,291,721
Other	2,230,143	94,865	488,413	2,813,421
Receivables:				
Property tax:				
Delinquent	94,632	19,470	12,922	127,024
Succeeding year	4,091,778	833,330	544,390	5,469,498
Income surtax	436,154	0	0	436,154
Accounts	13,196	0	56,812	70,008
Accrued ISCAP interest	283	0	0	283
Due from other governments	92,291	0	242,374	334,665
TOTAL ASSETS	\$ 9,250,198	2,109,076	1,344,911	12,704,185
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 235,555	0	106,774	342,329
Salaries and benefits payable	1,792,319	0	0	1,792,319
ISCAP warrants payable	2,256,000	0	0	2,256,000
ISCAP interest payable	773	0	0	773
ISCAP premiums payable	43,671	0	0	43,671
Deferred revenue:				
Succeeding year property tax	4,091,778	833,330	544,390	5,469,498
Income surtax	436,154	0	0	436,154
Other	28,301	0	0	28,301
Total liabilities	8,884,551	833,330	651,164	10,369,045
Fund balances:				
Reserved for:				
Debt service	0	1,275,746	0	1,275,746
Categorical funding	182,713	0	0	182,713
Unreserved	182,934	0	693,747	876,681
Total fund balances	365,647	1,275,746	693,747	2,335,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,250,198	2,109,076	1,344,911	12,704,185

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16) \$ 2,335,140

***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. 15,244,299

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 119,514

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 436,154

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. (80,297)

Long-term liabilities, including bonds payable, early retirement payable and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (7,757,175)

Net assets of governmental activities (page 14) \$ 10,297,635

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,403,464	837,712	1,828,895	7,070,071
Tuition	411,511	0	0	411,511
Other	204,733	12,370	888,644	1,105,747
State sources	10,973,173	0	0	10,973,173
Federal sources	700,204	0	0	700,204
Total revenues	<u>16,693,085</u>	<u>850,082</u>	<u>2,717,539</u>	<u>20,260,706</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,477,490	0	305,683	7,783,173
Special	2,303,370	0	0	2,303,370
Other	1,855,395	0	476,162	2,331,557
	<u>11,636,255</u>	<u>0</u>	<u>781,845</u>	<u>12,418,100</u>
Support services:				
Student	434,005	0	0	434,005
Instructional staff	394,561	0	0	394,561
Administration	2,024,943	3,368	22,392	2,050,703
Operation and maintenance of plant	1,559,686	0	178,583	1,738,269
Transportation	552,898	0	123,227	676,125
	<u>4,966,093</u>	<u>3,368</u>	<u>324,202</u>	<u>5,293,663</u>
Other expenditures:				
Facilities acquisitions	0	0	617,586	617,586
Long-term debt:				
Principal	0	1,250,000	0	1,250,000
Interest and fiscal charges	0	305,731	0	305,731
AEA flowthrough	686,326	0	0	686,326
	<u>686,326</u>	<u>1,555,731</u>	<u>617,586</u>	<u>2,859,643</u>
Total expenditures	<u>17,288,674</u>	<u>1,559,099</u>	<u>1,723,633</u>	<u>20,571,406</u>
Excess(deficiency) of revenues over over(under) expenditures	(595,589)	(709,017)	993,906	(310,700)
Other financing sources(uses):				
Transfer in	0	723,004	25,000	748,004
Transfer out	(25,000)	0	(723,004)	(748,004)
Total other financing sources(uses)	<u>(25,000)</u>	<u>723,004</u>	<u>(698,004)</u>	<u>0</u>
Net change in fund balances	(620,589)	13,987	295,902	(310,700)
Fund balance beginning of year	986,236	1,261,759	397,845	2,645,840
Fund balance end of year	<u>\$ 365,647</u>	<u>1,275,746</u>	<u>693,747</u>	<u>2,335,140</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds(page 18) \$ (310,700)

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

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

Capital outlays	\$ 823,154	
Depreciation expense	(584,677)	238,477

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 52,299

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,250,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 12,327

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,960

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

Early retirement	84,268	
Other postemployment benefits	(133,460)	(49,192)

Changes in net assets of governmental activities(page 15) \$ 1,196,171

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type	
	Enterprise: Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 330,941	104,009
Accounts receivable	2,978	17,664
Inventories	26,395	0
Capital assets, net of accumulated depreciation	194,820	0
TOTAL ASSETS	555,134	121,673
LIABILITIES		
Accounts payable	3,189	2,159
Salaries and benefits payable	51,833	0
Unearned revenue	12,716	0
Net OPEB liability	3,563	0
TOTAL LIABILITIES	71,301	2,159
NET ASSETS		
Invested in capital assets	194,820	0
Unrestricted	289,013	119,514
TOTAL NET ASSETS	\$ 483,833	119,514

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 402,755	2,352,204
OPERATING EXPENSES:		
Support services:		
Administration services:		
Benefits	0	2,299,905
Services	839	0
	839	2,299,905
Non-instructional programs:		
Food service operations:		
Salaries	245,884	0
Benefits	90,659	0
Services	10,803	0
Supplies	393,280	0
Depreciation	31,464	0
	772,090	0
TOTAL OPERATING EXPENSES	772,929	2,299,905
OPERATING INCOME (LOSS)	(370,174)	52,299
NON-OPERATING REVENUES:		
State sources	9,523	0
Federal sources	388,883	0
Interest on investments	775	0
TOTAL NON-OPERATING REVENUES	399,181	0
Change in net assets	29,007	52,299
Net assets beginning of year	454,826	67,215
Net assets end of year	\$ 483,833	119,514

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Business Type	
	Activites:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 401,648	0
Cash received from miscellaneous	673	2,335,003
Cash payments to employees for services	(330,946)	0
Cash payments to suppliers for goods or services	(363,042)	(2,334,490)
Net cash provided by(used in) operating activities	(291,667)	513
Cash flows from non-capital financing activities:		
State grants received	9,523	0
Federal grants received	337,870	0
Net cash provided by non-capital financing activities	347,393	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,530)	0
Cash flows from investing activities:		
Interest on investments	775	0
Net increase in cash and cash equivalents	52,971	513
Cash and cash equivalents at beginning of year	277,970	103,496
Cash and cash equivalents at end of year	\$ 330,941	104,009
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating income(loss)	\$ (370,174)	52,299
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities consumed	51,013	0
Depreciation	31,464	0
Increase in inventories	(3,145)	0
Decrease(Increase) in accounts receivable	265	(17,201)
Decrease in accounts payable	(5,988)	(34,585)
Increase in salaries and benefits payable	2,034	0
Decrease in unearned revenue	(699)	0
Increase in other postemployment benefits	3,563	0
Net cash used in operating activities	\$ (291,667)	513
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 330,941	104,009
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2009, the District received Federal commodities valued at \$51,013.

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 2,825	110,388
LIABILITIES		
Due to other groups	0	110,388
NET ASSETS		
Reserved for scholarships	\$ 2,825	0

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Interest income	\$ 551
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>146</u>
Change in net assets	405
Net assets beginning of year	<u>2,420</u>
Net assets end of year	<u>\$ 2,825</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Knoxville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Knoxville, Iowa, and the predominate agricultural territory in Marion 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 U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Knoxville Community School 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 Knoxville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessors' Conference Board.

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 support.

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:

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 improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding 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 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 long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for 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 revenues (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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the District applies 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 nonoperating 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 nonoperating 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 Balances

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

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 and non-negotiable certificates of deposit which are stated at 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 District is required to certify its budget 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 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and 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, machinery, 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. 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.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery 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 is payable in July and August, have been accrued as liabilities.

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 statements represent 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 and other 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition 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 Balances - In the governmental fund 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.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial

paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,772,249</u>

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

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

U.S. Treasury Securities are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2009, the District had investments in U.S. Treasury Securities as follows:

	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 1,161,411</u>

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 723,004
Activity	General	<u>25,000</u>
Total		<u>\$ 748,004</u>

The Capital Projects transfer to Debt Service was needed for principal and interest payments on the District's revenue bond indebtedness.

The General Fund transfer to the Activity Fund was needed to help fund costs associated with the athletic programs offered at the high school and the middle school.

(4) Iowa School Cash Anticipation Program (ISCAP)

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 semiannual 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 semiannual 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	1/23/08	1/23/09	\$ 2,291,721	283	2,256,000	773

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, and 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, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	1,300,000	1,300,000	0

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
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 585,537	3,530	4,420	584,647
Less accumulated depreciation	362,783	31,464	4,420	389,827
Business type activities capital assets, net	\$ 222,754	(27,934)	0	194,820

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,966	0	0	63,966
Construction in progress	382,877	101,506	382,877	101,506
Total capital assets not being depreciated	446,843	101,506	382,877	165,472
Capital assets being depreciated:				
Buildings	19,554,282	966,086	0	20,520,368
Machinery and equipment	2,854,985	138,439	57,100	2,936,324
Total capital assets being depreciated	22,409,267	1,104,525	57,100	23,456,692
Less accumulated depreciation for:				
Buildings	5,559,892	445,714	0	6,005,606
Machinery and equipment	2,290,396	138,963	57,100	2,372,259
Total accumulated depreciation	7,850,288	584,677	57,100	8,377,865
Total capital assets being depreciated, net	14,558,979	519,848	0	15,078,827
Governmental activities capital assets, net	\$ 15,005,822	621,354	382,877	15,244,299

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 20,225
Support services:		
Operation and maintenance of plant		13,048
Transportation		105,690
		<u>138,963</u>
Unallocated depreciation		<u>445,714</u>
Total governmental activities depreciation expense		<u>\$ 584,677</u>
Business type activities:		
Food services		<u>\$ 31,464</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,680,000	0	680,000	3,000,000	705,000
Revenue bonds	4,460,000	0	570,000	3,890,000	590,000
Early retirement	817,983	193,644	277,912	733,715	288,784
Net OPEB liability	0	133,460	0	133,460	0
Total	\$ 8,957,983	327,104	1,527,912	7,757,175	1,583,784
Business Type Activities:					
Net OPEB liability	\$ 0	3,563	0	3,563	0

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	4.15	% \$ 705,000	128,330	833,330
2011	4.20	730,000	98,720	828,720
2012	4.30	765,000	67,695	832,695
2013	4.35	800,000	34,800	834,800
Total		\$ 3,000,000	329,545	3,329,545

Revenue Bonds Payable

Details of the District's June 30, 2009 (statewide) local option sales and services tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of October 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	3.50-3.55	% \$ 590,000	128,881	718,881
2011	3.55	615,000	107,639	722,639
2012	3.55	635,000	85,451	720,451
2013	3.55	660,000	62,465	722,465
2014	3.60	680,000	38,510	718,510
2015	3.70	710,000	13,135	723,135
Total		\$ 3,890,000	436,081	4,326,081

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$5,010,000 bonds issued in October 2005. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 55.48% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$4,326,081. For the current year, principal and interest paid on the bonds was \$719,181 and local option (statewide) sales and services tax revenues were \$1,295,713.

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

- a) \$501,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five. Eligible employees must be an employee of the District for at least 10 years. 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 40-60% of their contracted annual salary (exclusive of supplemental pay or extended contract pay.) The percentage is determined by the number of consecutive years of service, and is paid out monthly over a three year period to a tax shelter annuity. Early retirement benefits paid during the year ended June 30, 2009, totaled \$277,912. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(7) Advance Refunding

On February 1, 1999, the District issued refunding bonds in the amount of \$6,510,000 to advance refund \$5,800,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account and have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. At June 30, 2009, \$3,425,000 of such bonds is outstanding. Repayment of principal and interest for the year was \$565,000 and \$266,090.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$683,117, \$619,611 and \$550,069 respectively, equal to the required contributions for each year.

(9) **Other Postemployment Benefits (OPEB)**

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 234 active and 14 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Principal Financial. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

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

Annual required contribution	\$	137,023
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost (expense)		<u>137,023</u>
Contributions made		0
Increase in net OPEB obligation		<u>137,023</u>
Net OPEB obligation - beginning of year		<u>0</u>
Net OPEB obligation - end of year	\$	<u><u>137,023</u></u>

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

For fiscal year 2009, the District contributed \$0 to the medical plan. Plan members receiving benefits contributed \$13,685, or 100% of the premium costs.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 137,023	0%	\$ 137,023

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.385 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.385 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.011 million, and the ratio of the UAAL to the covered payroll was 15.4%. As of June 30, 2009, there were no trust fund assets.

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

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$586 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District has a self-funded dental insurance plan. Total out of pocket expense per participant is \$1,000. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$101,986 at June 30, 2009.

Knoxville Community School 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.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 170,237
Salary improvement program	10,692
Professional development	1,214
Market factor incentives	570
Total	<u>\$ 182,713</u>

(12) Deficit Net Assets

The District also had a deficit unrestricted net assets balance in the governmental activities of \$117,704.

(13) 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 \$686,326 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(14) Construction Commitment

The District has entered into various contracts totaling \$163,861. Projects included in the construction in progress are a water main replacement at the middle school, utility replacement at the administration office and roof replacements at Northstar Elementary and the middle school. As of June 30, 2009, costs of \$101,506 had been incurred against the contracts. The balance of \$62,355 remaining at June 30, 2009 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 8,587,329	403,530	8,990,859	8,956,788	8,956,788	34,071
State sources	10,973,173	9,523	10,982,696	11,380,114	11,380,114	(397,418)
Federal sources	700,204	388,883	1,089,087	840,000	840,000	249,087
Total revenues	<u>20,260,706</u>	<u>801,936</u>	<u>21,062,642</u>	<u>21,176,902</u>	<u>21,176,902</u>	<u>(114,260)</u>
Expenditures/Expenses:						
Instruction	12,418,100	0	12,418,100	12,958,663	12,958,663	540,563
Support services	5,293,663	839	5,294,502	6,286,721	6,286,721	992,219
Non-instructional programs	0	772,090	772,090	1,230,100	1,230,100	458,010
Other expenditures	2,859,643	0	2,859,643	2,751,692	3,168,004	308,361
Total expenditures/expenses	<u>20,571,406</u>	<u>772,929</u>	<u>21,344,335</u>	<u>23,227,176</u>	<u>23,643,488</u>	<u>2,299,153</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(310,700)	29,007	(281,693)	(2,050,274)	(2,466,586)	2,184,893
Balance beginning of year	<u>2,645,840</u>	<u>454,826</u>	<u>3,100,666</u>	<u>3,572,070</u>	<u>3,572,070</u>	<u>(471,404)</u>
Balance end of year	<u>\$ 2,335,140</u>	<u>483,833</u>	<u>2,818,973</u>	<u>1,521,796</u>	<u>1,105,484</u>	<u>1,713,489</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted a budget amendment increasing budgeted expenditures by \$416,312.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1 ,2008	\$ -	\$ 1,385	\$ 1,385	0.0%	\$ 9,011	15.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 80,364	149,625	35,838	265,827	222,586	488,413
Receivables:						
Property tax:						
Current year delinquent	12,168	0	754	12,922	0	12,922
Succeeding year	500,000	0	44,390	544,390	0	544,390
Accounts	1,532	0	0	1,532	55,280	56,812
Due from other governments	0	0	0	0	242,374	242,374
TOTAL ASSETS	\$ 594,064	149,625	80,982	824,671	520,240	1,344,911
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,898	462	0	3,360	103,414	106,774
Deferred revenue:						
Succeeding year property tax	500,000	0	44,390	544,390	0	544,390
Total liabilities	502,898	462	44,390	547,750	103,414	651,164
Unreserved fund balances	91,166	149,163	36,592	276,921	416,826	693,747
TOTAL LIABILITIES AND FUND BALANCES	\$ 594,064	149,625	80,982	824,671	520,240	1,344,911

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 500,724	0	32,458	533,182	1,295,713	1,828,895
Other	30,352	574,983	160	605,495	283,149	888,644
TOTAL REVENUES	531,076	574,983	32,618	1,138,677	1,578,862	2,717,539
EXPENDITURES:						
Current:						
Instruction:						
Regular	305,683	0	0	305,683	0	305,683
Other	0	476,162	0	476,162	0	476,162
Support services:						
Administration	22,145	232	0	22,377	15	22,392
Operation and maintenance of plant	178,583	0	0	178,583	0	178,583
Student transportation	25,650	0	0	25,650	97,577	123,227
Other expenditures:						
Facilities acquisitions	0	0	3,465	3,465	614,121	617,586
TOTAL EXPENDITURES	532,061	476,394	3,465	1,011,920	711,713	1,723,633
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(985)	98,589	29,153	126,757	867,149	993,906
OTHER FINANCING SOURCES (USES):						
Transfer in	0	25,000	0	25,000	0	25,000
Transfer out	0	0	0	0	(723,004)	(723,004)
TOTAL OTHER FINANCING SOURCES (USES)	0	25,000	0	25,000	(723,004)	(698,004)
NET CHANGE IN FUND BALANCES	(985)	123,589	29,153	151,757	144,145	295,902
FUND BALANCE BEGINNING OF YEAR	92,151	25,574	7,439	125,164	272,681	397,845
FUND BALANCE END OF YEAR	\$ 91,166	149,163	36,592	276,921	416,826	693,747

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Academic Clubs:</u>					
HS Band	\$ (173)	310	341	250	46
HS Camera Club	2,745	11,171	10,399	0	3,517
HS Drama Club	654	4,763	3,566	(1,040)	811
HS Science Club	7,762	18,072	23,515	(68)	2,251
HS Vocal	1,489	848	767	1,040	2,610
Middle Beta Club	483	0	483	0	0
MS Band	308	7	0	0	315
Middle Student Advisory	16,225	2,537	8,357	0	10,405
	<u>29,493</u>	<u>37,708</u>	<u>47,428</u>	<u>182</u>	<u>19,955</u>
<u>Athletic Support:</u>					
Baseball Club	20,859	20,363	17,849	(199)	23,174
Drill Team	7,569	8,632	6,551	0	9,650
Girls Softball Club	9,416	7,283	8,396	0	8,303
HS Cheerleaders	(35)	2,686	1,411	(1,031)	209
MS Baseball Club	419	0	0	0	419
Panther Basketball	6,222	6,683	7,321	(418)	5,166
Panther Club	1,617	0	0	0	1,617
Panther Football Club	3,254	9,797	6,327	33	6,757
Panther Soccer	3,187	2,747	2,523	0	3,411
Pantherette Girls	2,912	23,992	23,623	(490)	2,791
Panther Girls Track Club	1,671	4,774	5,761	136	820
Pantherette Soccer	109	0	0	0	109
Pepsi Pop Fund	2,660	6,792	8,494	0	958
Wrestling Club	0	6,517	3,371	0	3,146
Volleyball Club	2,034	5,357	7,050	0	341
Bowling Club	0	6,134	1,136	0	4,998
Girls Golf Club	0	716	690	0	26
Girls Cross Country	0	3,305	2,616	0	689
	<u>61,894</u>	<u>115,778</u>	<u>103,119</u>	<u>(1,969)</u>	<u>72,584</u>
<u>Boys Athletics:</u>					
Baseball	(61,173)	3,366	5,185	199	(62,793)
Boys Basketball	39,797	11,263	6,038	0	45,022
Boys Cross Country	(14,393)	390	947	0	(14,950)
Boys Golf	(11,422)	180	507	0	(11,749)
Boys Soccer	(73)	2,265	1,482	0	710
Boys Tennis	(7,481)	0	549	0	(8,030)
Boys Track	(12,632)	2,099	4,023	(234)	(14,790)
Football	66,599	23,385	15,193	0	74,791
Wrestling	(17,393)	2,430	2,424	0	(17,387)
	<u>(18,171)</u>	<u>45,378</u>	<u>36,348</u>	<u>(35)</u>	<u>(9,176)</u>
<u>Classes:</u>					
Freshman Class	60	0	30	0	30
Sophomore Class	35	0	0	25	60
Junior Class	3,738	16,421	14,822	(1,538)	3,799
Senior Class	346	250	1,616	1,573	553
	<u>4,179</u>	<u>16,671</u>	<u>16,468</u>	<u>60</u>	<u>4,442</u>

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>East Elementary Activities:</u>					
East Book Fair	3,042	8,035	8,646	30	2,461
East Doughnut Resale	1,100	8,232	8,598	370	1,104
East Elem. Activity Tickets	0	550	0	(550)	0
East Student Teachers	0	400	0	(400)	0
	<u>4,142</u>	<u>17,217</u>	<u>17,244</u>	<u>(550)</u>	<u>3,565</u>
<u>General Athletics:</u>					
Cheerleading	(6,464)	0	1,031	1,031	(6,464)
Drill Team	(9,870)	0	0	0	(9,870)
HS General Athletics	(98,265)	21,841	22,992	36,673	(62,743)
State Tournament	1,377	2,878	869	0	3,386
	<u>(113,222)</u>	<u>24,719</u>	<u>24,892</u>	<u>37,704</u>	<u>(75,691)</u>
<u>Girls Athletics:</u>					
Girls Basketball	22,792	9,622	7,554	0	24,860
Girls Cross Country	(9,133)	1,047	1,363	0	(9,449)
Girls Golf	(8,922)	510	410	0	(8,822)
Girls Soccer	(9,029)	2,073	2,100	0	(9,056)
Girls Tennis	(4,891)	300	619	0	(5,210)
Girls Track	(23,328)	1,405	2,383	(18)	(24,324)
Softball	(32,452)	3,351	5,331	0	(34,432)
Volleyball	(8,960)	5,056	7,226	0	(11,130)
Bowling	0	397	0	0	397
	<u>(73,923)</u>	<u>23,761</u>	<u>27,004</u>	<u>(18)</u>	<u>(77,166)</u>
<u>Middle School Boys Athletics:</u>					
MS Baseball	(18,163)	569	1,806	0	(19,400)
MS Boys Basketball	7,989	1,780	2,143	0	7,626
MS Boys Track	(4,982)	1,176	1,245	0	(5,051)
MS Cross Country	(20)	0	0	0	(20)
MS Football	(17,748)	2,186	3,712	0	(19,274)
MS Wrestling	(2,733)	584	646	0	(2,795)
	<u>(35,657)</u>	<u>6,295</u>	<u>9,552</u>	<u>0</u>	<u>(38,914)</u>
<u>Middle School General Athletics:</u>					
MS General Athletics	(1,897)	0	1,098	4,358	1,363
<u>Middle School Girls Athletics:</u>					
MS Girls Basketball	1,507	1,340	1,418	0	1,429
MS Girls Track	396	1,218	886	0	728
MS Softball	(11,415)	541	2,122	0	(12,996)
MS Volleyball	3,498	1,256	1,082	0	3,672
	<u>(6,014)</u>	<u>4,355</u>	<u>5,508</u>	<u>0</u>	<u>(7,167)</u>

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Northstar Elementary Activities:</u>					
Northstar Activity Tickets	0	775	0	(775)	0
Northstar Birthday Book	78	0	0	0	78
Northstar Book Fair	888	11,699	9,069	0	3,518
Northstar Resale	13,462	3,926	3,904	0	13,484
Northstar Student Council	1,270	616	665	0	1,221
Northstar Student Teachers	2,119	300	435	0	1,984
	<u>17,817</u>	<u>17,316</u>	<u>14,073</u>	<u>(775)</u>	<u>20,285</u>
<u>Other Activities:</u>					
6th Grade Resale	326	0	264	0	62
7th Grade Resale	3,048	3,729	1,735	0	5,042
8th Grade Resale	1,515	260	0	0	1,775
Activity Interest	2,978	2,898	0	(1,198)	4,678
Student Council CD	2,500	0	0	0	2,500
Auditorium Project	5,411	0	7	11	5,415
Collins Fund	10,223	78,135	1,032	139	87,465
FCCLA CD	1,389	0	52	103	1,440
Goal Activity	5,450	2,204	531	0	7,123
HS Activity Tickets	40	10,240	0	(10,190)	90
HS Book Fair	99	1,168	1,149	0	118
HS Resale	500	917	649	0	768
HS Student Teacher	1,745	612	664	0	1,693
HS Pepsi Pop Fund	19,973	69,057	78,474	(250)	10,306
International Club	1,081	0	41	0	1,040
ISJIT	2,181	0	184	204	2,201
K-Fund Yearbook	6,315	8,091	4,849	0	9,557
Middle Activity Tickets	240	5,125	0	(5,265)	100
Middle Annual/Yearbook	1,560	5,762	5,684	0	1,638
Middle Resale	4,173	9,312	10,224	0	3,261
Middle Student Teachers	146	319	67	0	398
Middle Book Fair	2,774	3,729	5,405	0	1,098
National Honor Society	0	0	0	343	343
Panther Club Scholarship	11,769	0	432	667	12,004
School Nurse	455	0	455	0	0
Spanish Club	333	0	0	0	333
Student Senate	415	5,269	3,633	(60)	1,991
Student Senate Scholarship	1,805	0	57	117	1,865
Team Nutrition Club	245	1,153	700	0	698
	<u>88,689</u>	<u>207,980</u>	<u>116,288</u>	<u>(15,379)</u>	<u>165,002</u>

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Vocational Clubs:</u>					
Construction Trades	37,716	0	0	0	37,716
Farm Account	790	0	790	0	0
FCCLA Account	3,502	2,454	2,996	1,872	4,832
FFA Account	6,908	40,656	39,013	0	8,551
Industrial Arts	698	0	0	0	698
	<u>49,614</u>	<u>43,110</u>	<u>42,799</u>	<u>1,872</u>	<u>51,797</u>
<u>West Elementary Activities:</u>					
West Activity Tickets	0	650	0	(650)	0
West Book Fair	1,594	10,524	7,026	0	5,092
West Resale	2,879	89	738	0	2,230
West Student Teacher	1,374	0	0	0	1,374
West Student Council	12,783	3,432	6,827	200	9,588
	<u>18,630</u>	<u>14,695</u>	<u>14,591</u>	<u>(450)</u>	<u>18,284</u>
Total	<u>\$ 25,574</u>	<u>574,983</u>	<u>476,394</u>	<u>25,000</u>	<u>149,163</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund				
	Locke Memorial	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Total
ASSETS:					
Cash and pooled investments	\$ 141	583	2,006	95	2,825
LIABILITIES					
	0	0	0	0	0
NET ASSETS:					
Reserved for scholarships	\$ 141	583	2,006	95	2,825

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund				
	Locke Memorial	Tunnie Memorial	Cox Scholarship	Norton Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 0	0	551	0	551
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	136	0	0	10	146
Change in net assets	(136)	0	551	(10)	405
NET ASSETS BEGINNING OF YEAR	277	583	1,455	105	2,420
NET ASSETS END OF YEAR	\$ 141	583	2,006	95	2,825

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>MARION COUNTY EMPOWERMENT</u>				
ASSETS				
Cash and pooled investments	\$ 192,150	402,804	488,124	106,830
LIABILITIES				
Due to other groups	\$ 192,150	402,804	488,124	106,830
<u>KCSD EMPLOYEE FLEX SPENDING</u>				
ASSETS				
Cash and pooled investments	\$ 17,880	61,587	75,909	3,558
LIABILITIES				
Accounts payable	\$ 17,880	0	17,880	0
Due to other groups	0	3,558	0	3,558
	\$ 17,880	3,558	17,880	3,558
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 210,030	464,391	564,033	110,388
LIABILITIES				
Accounts payable	\$ 17,880	0	17,880	0
Due to other groups	192,150	406,362	488,124	110,388
	\$ 210,030	406,362	506,004	110,388

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Health Insurance	Self-funded Dental Insurance	Total
ASSETS:			
Cash and pooled investments	\$ 2,025	101,984	104,009
Receivables:			
Accounts	17,664	0	17,664
TOTAL ASSETS	19,689	101,984	121,673
LIABILITIES:			
Accounts payable	2,159	0	2,159
TOTAL LIABILITIES	2,159	0	2,159
NET ASSETS	\$ 17,530	101,984	119,514

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Health Insurance	Self-funded Dental Insurance	Total
OPERATING REVENUES:			
Local sources:			
Charges for services	\$ 2,175,770	176,434	2,352,204
TOTAL OPERATING REVENUE	<u>2,175,770</u>	<u>176,434</u>	<u>2,352,204</u>
OPERATING EXPENSES:			
Support services:			
Administration services:			
Benefits	2,137,918	161,987	2,299,905
TOTAL OPERATING EXPENSES	<u>2,137,918</u>	<u>161,987</u>	<u>2,299,905</u>
CHANGE IN NET ASSETS	37,852	14,447	52,299
NET ASSETS BEGINNING OF YEAR	<u>(20,322)</u>	<u>87,537</u>	<u>67,215</u>
NET ASSETS END OF YEAR	<u>\$ 17,530</u>	<u>101,984</u>	<u>119,514</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

	Governmental Activities:		
	Internal Service Funds		
	Self-funded Health Insurance	Self-funded Dental Insurance	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,158,569	176,434	2,335,003
Cash payments to suppliers for goods or services	(2,172,503)	(161,987)	(2,334,490)
Net cash provided by(used in) operating activities	(13,934)	14,447	513
Net increase(decrease) in cash and cash equivalents	(13,934)	14,447	513
Cash and cash equivalents at beginning of year	15,959	87,537	103,496
Cash and cash equivalents at end of year	\$ 2,025	101,984	104,009
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income	\$ 37,852	14,447	52,299
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Increase in accounts receivable	(17,201)	0	(17,201)
Decrease in accounts payable	(34,585)	0	(34,585)
Net cash provided by(used in) operating activities	\$ (13,934)	14,447	513
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 2,025	101,984	104,009

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:									
Local sources:									
Local tax	\$ 7,070,071	6,370,480	6,373,520	6,436,297	6,271,019	5,406,638	4,913,053	4,835,920	4,772,508
Tuition	411,511	352,774	444,933	435,713	412,584	384,825	381,387	361,980	329,652
Other	1,105,747	817,629	951,118	900,892	755,925	684,887	699,016	721,930	801,575
Intermediate sources	0	22,141	0	0	0	300	1,000	0	0
State sources	10,973,173	10,996,970	10,383,090	9,666,649	9,266,712	8,566,918	8,786,235	8,453,282	8,368,970
Federal sources	700,204	499,102	483,871	515,121	526,675	525,896	435,357	339,941	423,092
Total	\$ 20,260,706	19,059,096	18,636,532	17,954,672	17,232,915	15,569,464	15,216,048	14,713,053	14,695,797
Expenditures:									
Instruction:									
Regular	\$ 7,783,173	7,274,840	6,805,524	6,232,711	5,859,910	5,618,174	5,589,416	5,192,544	5,324,125
Special	2,303,370	2,282,564	2,192,323	2,059,686	2,310,021	2,000,372	1,901,912	1,853,914	1,518,227
Other	2,331,557	2,280,792	2,223,187	2,192,156	1,314,612	1,201,591	1,226,426	1,308,972	1,152,825
Support services:									
Student	434,005	433,321	429,610	429,577	688,674	679,614	699,172	730,852	683,615
Instructional staff	394,561	415,359	396,764	389,630	821,959	673,089	632,391	674,561	531,408
Administration	2,050,703	2,130,779	1,928,616	1,859,177	1,683,840	1,529,732	1,539,928	1,428,344	1,434,740
Operation and maintenance									
of plant	1,738,269	1,581,508	1,551,750	1,514,703	1,375,891	1,395,117	1,369,916	1,338,341	1,297,707
Transportation	676,125	644,203	612,541	537,821	541,570	427,597	452,659	547,922	488,721
Other support	0	0	0	0	1,750	73,529	93,511	100,378	165,474
Non-instructional programs	0	0	0	100	9,976	7,384	6,080	8,139	12,154
Other expenditures:									
Facilities acquisitions	617,586	764,091	2,086,702	3,903,561	844,960	496,057	187,865	143,766	215,113
Long-term debt:									
Principal	1,250,000	1,200,000	625,000	600,000	565,000	540,000	505,000	475,000	460,000
Interest	305,731	351,292	429,800	270,500	261,765	291,003	325,532	350,943	378,613
AEA flow-through	686,326	663,042	632,385	588,615	566,235	546,076	585,932	580,772	588,579
Total	\$ 20,571,406	20,021,791	19,914,202	20,578,237	16,846,163	15,479,335	15,115,740	14,734,448	14,251,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 60,324
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	328,429
			<u>388,753</u>
TEAM NUTRITION GRANT	10.574	FY 09	<u>130</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3375-G	<u>223,883</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 09	<u>98</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>9,105</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>77,197</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 09	<u>12,955</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>162,770</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	105,502
SPECIAL EDUCATION - GRANTS TO STATES (COMMUNICATION STRATEGIES)	84.027	FY 09	600
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	56,335
			<u>162,437</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>19,239</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF PUBLIC HEALTH:			
CENTERS FOR DISEASE CONTROL AND PREVENTION			
INVESTIGATIONS AND TECHNICAL ASSISTANCE (YOUTH TOBACCO SURVEY)	93.283	FY 08	<u>700</u>
TOTAL			<u>\$ 1,057,267</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Knoxville 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.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
Knoxville 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 Knoxville Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Knoxville Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Knoxville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Knoxville Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on test 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Knoxville 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Knoxville Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2010

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (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 program were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Knoxville Community School District did qualify as a low-risk auditee.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kyle Kincaid, Teacher	Floor repairs	\$4,960

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's teacher does not appear to represent a conflict of interest.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - The District has contacted the bank and is now receiving the proper interest rate.

Conclusion - Response accepted.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

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

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

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,295,713
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	475,132	
Equipment		97,577	
Debt service for school infrastructure:			
Revenue debt		723,004	1,295,713
			<u>1,295,713</u>
Ending balance		\$	<u>0</u>

IV-L-09 Financial Condition - The District had several accounts in the Special Revenue, Student Activity Fund that had deficit balances at the end of the year. The District also had deficit net assets in the governmental activities of \$117,704.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - The District is working on a budgeting plan for the deficit accounts. As part of this effort, the District is cutting expenses and trying to increase ticket sales. At the end of each fiscal year, the Board will review expenditures and make a transfer from the General Fund if necessary. Invoices will be kept to support the transfer if the Board feels the transfer is necessary.

Conclusion - Response accepted.

IV-M-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. These accounts are Pop Fund, Book Fair, Donut Resale, Student Teacher, and Team Nutrition. These accounts appear to not be student run organization accounts and should be closed and transferred to the General Fund. In addition, there are inactive accounts that need to be reviewed and closed if not being used.

There are ISJIT and CD accounts. These accounts should be allocated among the Student Activity Funds that earned the interest and principal CD balances. The interest allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose; therefore should be receipted into the General Fund for use as determined by the District's Board of Directors.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District is constantly reviewing expenditures from the Student Activity Fund to ensure compliance with the Department of Education administrative rules and Iowa Code.

Conclusion - Response accepted.