

INDIANOLA COMMUNITY SCHOOL DISTRICT

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

June 30, 2011



Shull
and Co. P.C.
certified public accountants

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Indianola Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2010 Election)		
Joe Royer	President	2012
Carolyn Langenwalter	Board Member	2012
Eric Neessen	Board Member	2012
Heather Hulen	Board Member	2011
Darren Heater	Board Member	2011
Cyd Dyer	Board Member	2011
Grant Johnson	Board Member	2011

Board of Education
(After September 2010 Election)

Carolyn Langenwalter	President	2013
Joe Royer	Board Member	2013
Eric Neessen	Board Member	2013
Heather Hulen	Board Member	2011
Darren Heater	Board Member	2011
Cyd Dyer	Board Member	2011
Grant Johnson	Board Member	2011

School Officials

Dr. Michael Teigland	Superintendent	2011
Darcy Moeller	District Secretary/Treasurer	2011
Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee, P.C.	Attorney	2011



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indianola Community School District, Indianola Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indianola Community School District as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the Indianola Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 58 through 61 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Indianola Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Stuell & Co., P.C.

December 20, 2011

MANAGEMENT DISCUSSION & ANALYSIS

INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis

The Indianola Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

General Fund

- The state legislature approved a 2% increase to the 2010-11 district cost per pupil – an increase of \$115 per pupil from \$5,768 to \$5,883.
- The District received \$317,465 in Federal American Reinvestment and Recovery Act (ARRA) Funding.
- The District also received \$637,588 in Federal Ed Jobs Funding. This funding was deferred to the 2011-12 fiscal year.
- The 2010-11 budget enrollment (Sept 09 head count) was 3,296.15—a decrease of 83.55 students. In 2010-11, the Indianola Community School District was the 28th largest Iowa school district out of 359 districts.
- Due to the decrease in the student head count, the district qualified for the 101% budget guarantee. The 2010-11 package settlement was 2.91% with the Indianola Education Association. The statewide average settlement was 2.88%. Comparable increases were provided to most other staff groups.
- The unassigned general fund balance increased from \$1,897,291 in 2009-10 to \$3,412,186 in 2010-11.
- The solvency ratio increased from 6.8% in 2009-10 to 11.6% in 2010-11. The solvency ratio is an indicator of a district's financial health. The Iowa Association of School Boards recommends a solvency ratio between 5% and 10%.
- The unspent balance of the district increased from \$6,449,887 to \$6,859,282.
- The 2010-11 special education deficit decreased from \$429,812 to \$388,188.
- Total 2010-11 taxable valuation of the district increased by 1.3%.

Other

- The overall tax levy rate increased from \$20.00/\$1,000 to \$20.90 of assessed valuation.
- Total net assets of the district increased from \$25,906,335 to \$28,658,533.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)

- The first two statements are *Government-wide Financial Statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *Governmental Fund Financial Statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *Governmental Fund Financial Statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary Fund Financial Statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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, respectively.
- 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 should be considered.

In the Government-wide Financial Statements, the District's activities are divided into two categories:

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

INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)

Governmental Fund Financial Statements

The Governmental 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:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

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

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

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

**INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets

The schedule below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Total
	Activities		Activities		District		% Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 33,056,579	23,656,823	392,037	322,195	33,448,616	23,979,018	39.5
Capital assets	50,515,554	49,815,197	371,308	331,668	50,886,862	50,146,865	1.5
Total assets	<u>83,572,133</u>	<u>73,472,020</u>	<u>763,345</u>	<u>653,863</u>	<u>84,335,478</u>	<u>74,125,883</u>	<u>13.8</u>
Long-term liabilities	34,523,919	29,753,404	-	-	34,523,919	29,753,404	16.0
Other liabilities	20,851,409	19,083,057	301,617	282,562	21,153,026	19,365,619	9.2
Total liabilities	<u>55,375,328</u>	<u>48,836,461</u>	<u>301,617</u>	<u>282,562</u>	<u>55,676,945</u>	<u>49,119,023</u>	<u>13.4</u>
Net assets:							
Invested in capital							
assets, net of							
related debt	18,338,789	23,195,896	-	-	18,338,789	23,195,896	(20.9)
Restricted	8,445,324	2,005,119	121,545	107,274	8,566,869	2,112,393	305.6
Unrestricted	1,412,692	(565,456)	340,183	264,027	1,752,875	(301,429)	(681.5)
Total net assets	<u>\$ 28,196,805</u>	<u>24,635,559</u>	<u>461,728</u>	<u>371,301</u>	<u>28,658,533</u>	<u>25,006,860</u>	<u>14.6</u>

The District's combined net assets increased by 14.6%, or \$3,651,673 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

- Invested in capital assets, net of related debt decreased \$4,857,107, or 20.9% over the prior year.
- Restricted net assets represent 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 \$6,454,476, or 305.6% over the prior year.

The following schedule shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

**INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)**

	Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total District</u>
Revenues			
Program revenues			
Charges for service	\$ 1,963,026	2,007,492	3,970,518
Operating grants, contributions and restricted interest	4,532,601	525,869	5,058,470
Capital grants, contributions and restricted interest	15,000	-	15,000
General revenues			
Property tax	14,703,381	-	14,703,381
Local option sales and services tax	2,195,327	-	2,195,327
Unrestricted state grants	13,839,983	-	13,839,983
Unrestricted interest on investment	27,487	148	27,635
Other general receipts	204,677	-	204,677
Transfers, net	-	-	-
Total receipts	<u>37,481,482</u>	<u>2,533,509</u>	<u>40,014,991</u>
Program expenses			
Governmental activities			
Instruction	21,811,342	-	21,811,342
Support services	8,997,615	-	8,997,615
Non-instructional programs	-	2,441,714	2,441,714
Other expenses	<u>3,111,279</u>	<u>1,368</u>	<u>3,112,647</u>
Total disbursements and transfers	<u>33,920,236</u>	<u>2,443,082</u>	<u>36,363,318</u>
Change in net assets	<u>\$ 3,561,246</u>	<u>90,427</u>	<u>3,651,673</u>

Property tax, local option sales and services tax, unrestricted state grants, unrestricted interest on investments and other general fund receipts account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$37,481,482 and expenses were \$33,920,236.

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

**INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)**

Total and Net Cost of Governmental Activities

	Total Cost of Seviles	Net Cost of Seviles
Instruction	\$ 21,811,342	16,973,769
Support services	8,997,615	8,599,945
Non-instructional programs	-	-
Other expenses	3,111,279	1,835,895
Totals	\$ 33,920,236	27,409,609

Business-Type Activities

Revenues of the District's business-type activity were \$2,533,509 and expenses were \$2,443,082. The District's business-type activities include the School Nutrition Fund, Child Care Program and HS Home Construction Program. Revenues of these activities were comprised of charges for services, federal and state reimbursements and the sale of property.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$12,277,886; an increase from last year's ending fund balances of \$4,702,137.

Governmental Fund Highlights

The District's General Fund financial position is the product of many factors. The overall general fund balance increased by \$1,320,342.

The Governmental Funds include a \$420,376 fund balance from the Statewide Sales Tax. This was the seventh year that the district collected revenues from the Statewide Sales Tax.

Business-Type Fund Highlight

The School Nutrition Fund net assets increased from \$217,570 to \$358,235.

**INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)**

BUDGETARY HIGHLIGHTS

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2011, the District had invested \$69.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.9% from last year. More detailed information about capital assets is available in Note 3 to the financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis (Continued)

	Governmental Activities		Business-type Activities		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1,623,794	1,413,496	-	-	1,623,794	1,413,496	14.9
Construction in progress	1,539,117	174,893	262,967	258,598	1,802,084	433,491	315.7
Buildings	52,942,052	52,631,902	-	-	52,942,052	52,631,902	0.1
Improvements other than buildings	5,899,261	5,758,061	-	-	5,899,261	5,758,061	2.5
Furniture and equipment	7,293,116	6,725,576	216,016	174,359	7,509,132	6,899,935	8.8
Total assets	<u>\$ 69,297,340</u>	<u>66,703,928</u>	<u>478,983</u>	<u>432,957</u>	<u>69,776,323</u>	<u>67,136,885</u>	<u>3.9</u>

Long-Term Debt

At year-end, the district had \$34,594,273 in general obligation debt and other long-term debt outstanding. This represents an increase of \$4,786,129 from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Total District		Total % Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 29,235,000	23,640,000	23.7
Discounts	(58,235)	(20,699)	181.3
Revenue Bonds	1,780,000	2,185,000	(18.5)
Premium	13,154	24,666	(46.7)
Revenue Bond Anticipation Notes	3,000,000	3,000,000	-
Early retirement	-	308,437	(100.0)
Net OPEB liability	554,000	616,000	(10.1)
Compensated absences	70,354	54,740	28.5
Total assets	<u>\$ 34,594,273</u>	<u>29,808,144</u>	<u>16.1</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

**INDIANOLA COMMUNITY SCHOOL DISTRICT
Management Discussion & Analysis (Continued)**

- The Iowa legislature did not approve any allowable growth (0%) for the 2011-12 fiscal year. The 2012-13 allowable growth has been set at 2%.
- The 2011-12 budget enrollment (Sept 10 head count) increased by 6.1 students to 3302.3. The District qualified for “budget guarantee” again, for the second year in a row in 2011-12.
- The Legislature reduced the funding generated by students in the statewide voluntary 4-year old preschool program from .6 to .5. The Governor has recommended a further reduce to .25 for the 2012-13 fiscal year.
- The 2011-12 certified budget maintained an overall tax rate of \$0.90/\$1,000 of assessed valuation.
- For 2011-12, the District settlement with the Indianola Education Association was 3.14%. The statewide average settlement was 3.33%. Similar package settlements were provided to most other employee groups.
- The District received \$647,025 in Federal Education Jobs Funding. These funds were utilized in 2011-12 to provide pay increases to maintain existing staff.
- The Indianola School District has approval to levy up to 10% through the Instructional Support Level through the 2016-17 fiscal year and the maximum Physical Plant and Equipment Levy (PPEL) through the 2018-19 fiscal year.
- In 2009-10, the District received a \$1 million donation from Casey and Abbie Blake towards additional district facilities to support the youth of Indianola contingent on matching funds raised by the community. In 2011, it was confirmed that the Blake donation was match with an additional \$1 million in donations from the community through the Indianola Community Youth Foundation (ICYF).
- In September 2011, three new school Board members were elected. The three incumbents did not seek reelection.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darcy Moeller, Business Manager, 1304 East 2nd Avenue, Indianola, IA 50125.

BASIC FINANCIAL STATEMENTS

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow : \$	6,725,723	-	6,725,723
Other	9,110,343	268,174	9,378,517
Receivables:			
Property tax:			
Current year delinquent	98,117	-	98,117
Succeeding year	14,368,562	-	14,368,562
Accounts	23,987	1,205	25,192
Interfund receivable	164,919	-	164,919
Due from other governments	2,399,384	1,113	2,400,497
Prepaid expense	186	-	186
Inventories	-	121,545	121,545
Bond issue costs, net of accumulated amortization of \$71,975	165,358	-	165,358
Capital assets, net of accumulated depreciation	<u>50,515,554</u>	<u>371,308</u>	<u>50,886,862</u>
 Total assets	 <u>83,572,133</u>	 <u>763,345</u>	 <u>84,335,478</u>
Liabilities			
Accounts payable	700,907	23,345	724,252
Excess of warrants over bank balance	838,555	-	838,555
Salaries and benefits payable	3,063,159	108,499	3,171,658
Accrued interest payable	172,574	-	172,574
Other payables	145,900	-	145,900
Deferred revenue:			
Succeeding year property tax	14,368,562	-	14,368,562
American Recovery and Reinvestment funds	637,588	-	637,588
Other	858,664	-	858,664
Compensated absences	65,500	4,854	70,354
Interfund payable	-	164,919	164,919

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A
(Continued)

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities (Continued)			
Long-term liabilities:			
Portion due within one year:			
Bonds payable	1,330,000	-	1,330,000
Revenue Bonds	420,000	-	420,000
Portion due after one year:			
Bonds payable (net of unamortized discounts)	27,846,765	-	27,846,765
Revenue bond anticipation notes	3,000,000	-	3,000,000
Revenue bonds payable (net of unamortized premium)	1,373,154	-	1,373,154
Net other post employment benefits liability	554,000	-	554,000
Total liabilities	<u>55,375,328</u>	<u>301,617</u>	<u>55,676,945</u>
Net assets			
Invested in capital assets, net of related debt	18,338,789	-	18,338,789
Restricted for:			
Inventories	-	121,545	121,545
Categorical funding	260,774	-	260,774
Management levy purposes	263,295	-	263,295
Physical plant and equipment	318,471	-	318,471
Student activities	225,892	-	225,892
Debt service	7,376,892	-	7,376,892
Unrestricted	<u>1,412,692</u>	<u>340,183</u>	<u>1,752,875</u>
Total net assets	<u>\$ 28,196,805</u>	<u>461,728</u>	<u>28,658,533</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities
June 30, 2011

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 13,959,400	1,030,925	2,276,207
Special education instruction	3,240,736	176,320	416,866
Vocational instruction	401,348	-	20,753
Other instruction	1,694,776	-	280,781
Community service programs	353,627	-	-
Co-curricular instruction	2,161,455	624,123	11,598
	<u>21,811,342</u>	<u>1,831,368</u>	<u>3,006,205</u>
Support services:			
Student support services	832,281	-	146,459
Instructional staff support services	1,114,881	-	119,553
General administration services	418,869	-	-
Building administration services	1,599,097	-	-
Operation and maintenance of plant services	3,104,931	124,362	-
Transportation services	1,218,214	7,296	-
Central services	709,342	-	-
	<u>8,997,615</u>	<u>131,658</u>	<u>266,012</u>
Other expenditures:			
Facilities acquisition	163,076	-	-
Long-term debt:			
Interest and fiscal charges	1,294,536	-	-
AEA flowthrough	1,260,384	-	1,260,384
Depreciation (unallocated)*	393,283	-	-
	<u>3,111,279</u>	<u>-</u>	<u>1,260,384</u>
Total governmental activities	33,920,236	1,963,026	4,532,601

Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities
-	(10,652,268)	-	(10,652,268)
-	(2,647,550)	-	(2,647,550)
-	(380,595)	-	(380,595)
-	(1,413,995)	-	(1,413,995)
-	(353,627)	-	(353,627)
-	(1,525,734)	-	(1,525,734)
-	(16,973,769)	-	(16,973,769)
-	(685,822)	-	(685,822)
-	(995,328)	-	(995,328)
-	(418,869)	-	(418,869)
-	(1,599,097)	-	(1,599,097)
-	(2,980,569)	-	(2,980,569)
-	(1,210,918)	-	(1,210,918)
-	(709,342)	-	(709,342)
-	(8,599,945)	-	(8,599,945)
15,000	(148,076)	-	(148,076)
-	(1,294,536)	-	(1,294,536)
-	-	-	-
-	(393,283)	-	(393,283)
15,000	(1,835,895)	-	(1,835,895)
15,000	(27,409,609)	-	(27,409,609)

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities
June 30, 2011

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs (Continued)			
Business-Type activities:			
Non-instructional programs:			
Nutrition and child care services	2,441,714	2,007,492	525,869
Other expenditures:			
Home Building	<u>1,368</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,443,082</u>	<u>2,007,492</u>	<u>525,869</u>
 Total	 <u>\$ 36,363,318</u>	 <u>3,970,518</u>	 <u>5,058,470</u>

General Revenues:

Property tax levied for:

 General purposes

 Debt service

 Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investments earnings

Other

Transfers

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of the various programs
See notes to financial statements.

Exhibit B
(Continued)

Revenues	Net (Expense) Revenue and Changes in Net Assets		
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities	Total
-	-	91,647	91,647
-	-	(1,368)	(1,368)
-	-	90,279	90,279
<u>15,000</u>	<u>(27,409,609)</u>	<u>90,279</u>	<u>(27,319,330)</u>
	10,822,013	-	10,822,013
	3,175,324	-	3,175,324
	706,044	-	706,044
	2,195,327	-	2,195,327
	13,839,983	-	13,839,983
	27,487	148	27,635
	204,677	-	204,677
	-	-	-
	<u>30,970,855</u>	<u>148</u>	<u>30,971,003</u>
	3,561,246	90,427	3,651,673
	<u>24,635,559</u>	<u>371,301</u>	<u>25,006,860</u>
	<u>\$ 28,196,805</u>	<u>461,728</u>	<u>28,658,533</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

Assets	General	Debt Service
Cash and pooled investments:		
U.S. Treasury Securities on deposit with escrow agent	\$ -	6,725,723
Other	7,176,346	652,710
Receivables		
Property tax:		
Current year delinquent	70,851	14,359
Succeeding year	10,305,748	2,278,728
Accounts	12,576	-
Interfund receivable	164,919	-
Due from other governments	395,402	-
Income surtax receivable	858,664	-
Prepaid expense	186	-
Total assets	\$ 18,984,692	9,671,520
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 449,211	-
Excess of warrants over bank balance	-	-
Salaries and benefits payable	3,060,521	-
Other payables	-	15,900
Deferred revenue		
Succeeding year property tax	10,305,748	2,278,728
American Recovery and Reinvestment funds	637,588	-
Other	858,664	-
Total liabilities	15,311,732	2,294,628
Fund balances		
Restricted for:		
Categorical funding	260,774	-
Debt service	-	7,376,892
Management levy purposes	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Student activities	-	-
Unassigned	3,412,186	-
Total fund equity	3,672,960	7,376,892
Total liabilities and fund balances	\$ 18,984,692	9,671,520

See notes to financial statements.

Exhibit C

Capital Projects	Nonmajor	Total
-	-	6,725,723
772,341	508,946	9,110,343
7,993	4,914	98,117
1,194,242	589,844	14,368,562
-	11,411	23,987
-	-	164,919
1,145,318	-	1,540,720
-	-	858,664
-	-	186
<u>3,119,894</u>	<u>1,115,115</u>	<u>32,891,221</u>
218,250	33,446	700,907
838,555	-	838,555
-	2,638	3,063,159
130,000	-	145,900
1,194,242	589,844	14,368,562
-	-	637,588
-	-	858,664
<u>2,381,047</u>	<u>625,928</u>	<u>20,613,335</u>
-	-	260,774
-	-	7,376,892
-	263,295	263,295
420,376	-	420,376
318,471	-	318,471
-	225,892	225,892
-	-	3,412,186
<u>738,847</u>	<u>489,187</u>	<u>12,277,886</u>
<u>3,119,894</u>	<u>1,115,115</u>	<u>32,891,221</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit D

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

Total fund balances of governmental funds	\$	12,277,886
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.		50,515,554
Bond issue costs are not available to pay current period expenditures and, therefore, are not reported as assets in the governmental funds.		165,358
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.		(172,574)
Long-term liabilities, including bonds payable, compensated absences and other post retirement benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(34,589,419)</u>
Net assets of governmental activities	\$	<u>28,196,805</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E

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

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues					
Local sources:					
Local tax	\$ 10,822,013	2,049,517	2,124,186	690,947	15,686,663
Tuition	1,016,926	-	-	-	1,016,926
Other	557,491	20,639	32,370	619,949	1,230,449
State sources	17,438,160	1,216	1,212,721	424	18,652,521
Federal sources	<u>894,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>894,923</u>
Total revenues	<u>30,729,513</u>	<u>2,071,372</u>	<u>3,369,277</u>	<u>1,311,320</u>	<u>37,481,482</u>
Expenditures					
Current:					
Instruction:					
Regular instruction	12,688,289	-	-	772,756	13,461,045
Special education instruction	3,146,884	-	-	-	3,146,884
Vocational instruction	378,948	-	-	-	378,948
Other instruction	1,694,776	-	-	-	1,694,776
Community service programs	353,627	-	-	-	353,627
Co-curricular instruction	<u>1,485,865</u>	<u>-</u>	<u>-</u>	<u>570,112</u>	<u>2,055,977</u>
	<u>19,748,389</u>	<u>-</u>	<u>-</u>	<u>1,342,868</u>	<u>21,091,257</u>
Support services:					
Student support services	774,264	-	-	-	774,264
Instructional staff support services	1,151,268	-	271,334	-	1,422,602
General administration services	431,163	-	-	-	431,163
Building administration services	1,517,140	-	-	21,530	1,538,670
Operation and maintenance of plant services	2,866,523	-	121,190	130,043	3,117,756
Transportation services	965,992	-	174,023	21,313	1,161,328
Central services	<u>695,023</u>	<u>91,306</u>	<u>-</u>	<u>-</u>	<u>786,329</u>
	<u>8,401,373</u>	<u>91,306</u>	<u>566,547</u>	<u>172,886</u>	<u>9,232,112</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E
(Continued)

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Expenditures (Continued)					
Other expenditures:					
Facilities acquisition and construction	-	-	2,181,948	-	2,181,948
Long-term debt:					
Principal	-	1,690,000	-	-	1,690,000
Interest and fiscal charges	-	1,276,368	-	-	1,276,368
AEA flowthrough	<u>1,260,384</u>	-	-	-	<u>1,260,384</u>
	<u>1,260,384</u>	<u>2,966,368</u>	<u>2,181,948</u>	-	<u>6,408,700</u>
Total expenditures	<u>29,410,146</u>	<u>3,057,674</u>	<u>2,748,495</u>	<u>1,515,754</u>	<u>36,732,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,319,367</u>	<u>(986,302)</u>	<u>620,782</u>	<u>(204,434)</u>	<u>749,413</u>
Other financing sources (uses)					
Refunding note proceeds, net of \$53,664 discount	-	6,826,336	-	-	6,826,336
Interfund transfers	<u>975</u>	<u>794,710</u>	<u>(794,710)</u>	<u>(975)</u>	<u>-</u>
Total other financing sources (uses)	<u>975</u>	<u>7,621,046</u>	<u>(794,710)</u>	<u>(975)</u>	<u>6,826,336</u>
Net change in fund balances	1,320,342	6,634,744	(173,928)	(205,409)	7,575,749
Fund balances, beginning of year	<u>2,352,618</u>	<u>742,148</u>	<u>912,775</u>	<u>694,596</u>	<u>4,702,137</u>
Fund balances, end of year	<u>\$ 3,672,960</u>	<u>7,376,892</u>	<u>738,847</u>	<u>489,187</u>	<u>12,277,886</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit F

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

Net change in fund balances - total governmental funds		\$ 7,575,749
Amounts reported for governmental activities in the statements of activities are different because:		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Expenditures for capital assets	\$ 2,693,248	
Depreciation expense	<u>(1,992,891)</u>	700,357
Outlays associated with the issuance of long-term liabilities are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as amortization expense in the Statement of Activities. The amounts of discounts and bond issue costs and amortization expense in the year are as follows:		
Bond issue costs	\$ 95,821	
Amortization of discounts and bond issue costs	<u>(28,335)</u>	67,486
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	\$ (6,826,336)	
Repaid	<u>1,690,000</u>	(5,136,336)
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.		
		277
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	\$ 308,437	
Compensated absences	(16,724)	
Other post employment benefits	<u>62,000</u>	<u>353,713</u>
Change in net assets of governmental activities		<u>\$ 3,561,246</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets
 Proprietary Funds
 June 30, 2011

	School Nutrition	Nonmajor Proprietary	Total
Assets			
Cash and pooled investments	\$ 186,277	81,897	268,174
Accounts receivable	1,113	1,205	2,318
Inventories	121,545	-	121,545
Property and equipment - net	<u>108,341</u>	<u>262,967</u>	<u>371,308</u>
 Total assets	 <u>\$ 417,276</u>	 <u>346,069</u>	 <u>763,345</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	\$ 14,370	8,975	23,345
Salaries and benefits payable	18,201	90,298	108,499
Compensated absences	440	4,414	4,854
Interfund	<u>26,030</u>	<u>138,889</u>	<u>164,919</u>
Total liabilities	<u>59,041</u>	<u>242,576</u>	<u>301,617</u>
Net assets:			
Invested in capital assets	108,341	-	108,341
Unrestricted	<u>249,894</u>	<u>103,493</u>	<u>353,387</u>
Total net assets	<u>358,235</u>	<u>103,493</u>	<u>461,728</u>
 Total liabilities and net assets	 <u>\$ 417,276</u>	 <u>346,069</u>	 <u>763,345</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 Year ended June 30, 2011

	School Nutrition	Nonmajor Proprietary	Total
Operating revenue			
Local sources:			
Charges for services	\$ 905,247	969,430	1,874,677
Miscellaneous	123,563	9,252	132,815
Total operating revenue	<u>1,028,810</u>	<u>978,682</u>	<u>2,007,492</u>
Operating expenses			
Non-instructional programs			
Food service and community service operations			
Salaries	529,404	631,446	1,160,850
Benefits	132,732	121,669	254,401
Purchased services	18,908	234,607	253,515
Supplies	712,237	47,832	760,069
Depreciation	12,879	-	12,879
	<u>1,406,160</u>	<u>1,035,554</u>	<u>2,441,714</u>
Other expenditures			
Property	-	1,368	1,368
Total operating expenses	<u>1,406,160</u>	<u>1,036,922</u>	<u>2,443,082</u>
Operating income (loss)	<u>(377,350)</u>	<u>(58,240)</u>	<u>(435,590)</u>
Non-operating revenue			
State sources	11,050	369	11,419
Federal sources	506,874	7,576	514,450
Interest income	91	57	148
	<u>518,015</u>	<u>8,002</u>	<u>526,017</u>
Change in net assets	140,665	(50,238)	90,427
Net assets, beginning of year	<u>217,570</u>	<u>153,731</u>	<u>371,301</u>
Net assets, end of year	<u>\$ 358,235</u>	<u>103,493</u>	<u>461,728</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	School Nutrition	Nonmajor Proprietary	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 1,028,810	-	1,028,810
Cash received for child care fees	-	977,626	977,626
Cash received for sale of property	-	-	-
Cash payments to employees for services	(658,474)	(749,140)	(1,407,614)
Cash payments to suppliers for goods and services	(656,449)	(295,966)	(952,415)
Net cash provided (used) by operating activities	<u>(286,113)</u>	<u>(67,480)</u>	<u>(353,593)</u>
Cash flows from non-capital financing activities			
Loan from general fund	-	13,982	13,982
State grants received	11,050	369	11,419
Federal grants received	426,554	7,576	434,130
Net cash provided (used) by non-capital financing activities	<u>437,604</u>	<u>21,927</u>	<u>459,531</u>
Cash flows from capital and related financing activities			
Net change in capital assets	(48,150)	(4,369)	(52,519)
Net cash used by capital and related financing activities	<u>(48,150)</u>	<u>(4,369)</u>	<u>(52,519)</u>
Cash flows from investing activities			
Interest on investments	91	57	148
Net cash from investing activities	<u>91</u>	<u>57</u>	<u>148</u>
Net increase (decrease) in cash and cash equivalents	103,432	(49,865)	53,567
Cash and cash equivalents beginning of year	82,845	131,762	214,607
Cash and cash equivalents end of year	<u>\$ 186,277</u>	<u>81,897</u>	<u>268,174</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (377,350)	(58,240)	(435,590)
Depreciation expense	12,879	-	12,879
Commodities used	79,207	-	79,207
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Increase in accounts receivable	-	(891)	(891)
Increase in inventories	(14,271)	-	(14,271)
Increase (decrease) in accounts payable	9,760	(12,332)	(2,572)
Increase in salaries and benefits payable	3,662	3,983	7,645
Net cash provided by (used) by operating activities	<u>\$ (286,113)</u>	<u>(67,480)</u>	<u>(353,593)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2011, the District received Federal commodities valued at \$89,490 and consumed Federal commodities of \$79,207 during the year.

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

Assets	Agency
Cash and pooled investments	\$ 28,439
Other receivables	3,435
 Total assets	 \$ 31,874
 Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 1,271
Other payables	30,603
 Total Liabilities	 \$ 31,874

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

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

B. Basis of Presentation – Continued

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

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

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

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

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

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 property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation – Continued

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

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

D. Assets, Liabilities and Fund Equity - Continued

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.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Fund Equity – Continued

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

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

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

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

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

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

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

D. Assets, Liabilities and Fund Equity – Continued

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the government fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Fund Equity – Continued

Fund Equity – Continued

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

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 in banks at June 30, 2011 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$1,670,915 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

2. CASH AND POOLED INVESTMENTS - CONTINUED

In addition, at June 30, 2011, the District had the following investments:

	Fair Value
U.S. Treasury Securities	\$ 6,725,723

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

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The detail of interfund receivables and payables for the year ended June 30, 2011 is as follows:

	Receivable	Payable
General fund	\$ 164,919	-
Enterprise funds		
School Nutrition	-	26,030
Child Care	-	14,411
Home building fund	-	124,478
	\$ 164,919	164,919

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General Fund	Student Activity	\$ 975
Debt Service	Local Option Sales Tax	794,710
		\$ 795,685

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,413,496	210,298	-	1,623,794
Construction in progress	174,893	1,477,136	112,912	1,539,117
	<u>1,588,389</u>	<u>1,687,434</u>	<u>112,912</u>	<u>3,162,911</u>
Capital assets being depreciated:				
Buildings	52,631,902	310,150	-	52,942,052
Improvements other than buildings	5,758,061	141,200	-	5,899,261
Furniture and equipment	6,725,576	667,376	99,836	7,293,116
	<u>65,115,539</u>	<u>1,118,726</u>	<u>99,836</u>	<u>66,134,429</u>
Less accumulated depreciation for:				
Buildings	12,325,316	1,076,825	-	13,402,141
Improvements other than buildings	828,719	290,273	-	1,118,992
Furniture and equipment	3,734,696	625,793	99,836	4,260,653
	<u>16,888,731</u>	<u>1,992,891</u>	<u>99,836</u>	<u>18,781,786</u>
Total capital assets being depreciated, net	<u>48,226,808</u>	<u>(874,165)</u>	<u>-</u>	<u>47,352,643</u>
Governmental activities capital assets, net	<u>\$ 49,815,197</u>	<u>813,269</u>	<u>112,912</u>	<u>50,515,554</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 258,598	4,369	-	262,967
Capital assets being depreciated:				
Furniture and equipment	174,359	52,047	10,390	216,016
Less accumulated depreciation	101,289	12,879	6,494	107,674
	<u>73,070</u>	<u>39,168</u>	<u>3,896</u>	<u>108,342</u>
Business-type activities capital assets, net	<u>\$ 331,668</u>	<u>43,537</u>	<u>3,896</u>	<u>371,309</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

4. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 836,383
Special	95,937
Vocational	31,844
Co-curricular	127,190

Support services:

Student support	58,769
Instructional staff	61,604
General administration	18,440
Building administration	71,725
Central services	6,187
Operation and maintenance of plant	61,446
Transportation	<u>230,083</u>

1,599,608

Unallocated depreciation 393,283

Total governmental activities depreciation expense \$ 1,992,891

Business-type activities:

Food services \$ 12,879

5. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 23,640,000	6,880,000	1,285,000	29,235,000	1,330,000
Discounts	(20,699)	(53,664)	(16,128)	(58,235)	-
Revenue Bonds	2,185,000	-	405,000	1,780,000	420,000
Premium	24,666	-	11,512	13,154	-
Revenue Bond Anticipation Notes	3,000,000	-	-	3,000,000	-
Early retirement	308,437	-	308,437	-	-
Net OPEB liability	616,000	-	62,000	554,000	-
Compensated absences	<u>54,740</u>	<u>70,354</u>	<u>54,740</u>	<u>70,354</u>	<u>70,354</u>
Total	<u>\$ 29,808,144</u>	<u>6,896,690</u>	<u>2,110,561</u>	<u>34,594,273</u>	<u>1,820,354</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30	Bond Issue of January 1, 2002			Refunding Bond Issue of May 27, 2009		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
	2012	4.75	\$ 344,084	125,000	2.50	\$ 31,165
2013	5.00	338,146	6,630,000	2.65	16,165	610,000
		<u>\$ 682,230</u>	<u>6,755,000</u>		<u>\$ 47,330</u>	<u>1,210,000</u>

Year Ending June 30	Bond Issue of December 1, 2006			Bond Issue of July 1, 2007		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
	2012		\$ 109,950	-		\$ 425,000
2013		109,950	-		425,000	-
2014	4.15	109,950	500,000	4.50	425,000	110,000
2015	4.10	89,200	110,000	4.50	420,326	200,000
2016	4.00	84,690	125,000	4.50	411,826	200,000
2017	4.00	79,690	115,000	4.50	403,326	225,000
2018	3.70	75,090	120,000	4.50	393,762	240,000
2019	3.75	70,650	130,000	4.50	383,562	240,000
2020	3.80	65,775	150,000	4.50	373,362	250,000
2021	3.80	60,075	150,000	4.50	362,738	265,000
2022	3.85	54,375	450,000	4.25	351,476	1,000,000
2023	3.90	37,050	450,000	4.00	308,976	1,060,000
2024	3.90	19,500	500,000	4.00	263,926	1,075,000
2025		-	-	4.00	218,238	1,645,000
2026		-	-	4.00	148,326	1,710,000
2027		-	-	4.00	75,650	1,780,000
		<u>\$ 965,945</u>	<u>2,800,000</u>		<u>\$ 5,390,494</u>	<u>10,000,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable- Continued

Year Ending June 30	Refunding Bond Issue of July 1, 2011				
	Interest				
	Rates	Interest	Principal		
2012	1.50	\$ 29,935	605,000		
2013	1.50	15,120	640,000		
2014	1.60	5,520	345,000		
		<u>\$ 50,575</u>	<u>1,590,000</u>		

Year Ending June 30	Refunding Bond Issue of November 1, 2010			Total	
	Interest				
	Rates	Interest	Principal	Interest	Principal
2012		\$ 145,435	-	1,085,569	1,330,000
2013		145,435	-	1,049,816	7,880,000
2014	1.10	145,435	220,000	685,905	1,175,000
2015	1.30	143,015	905,000	652,541	1,215,000
2016	1.60	131,250	920,000	627,766	1,245,000
2017	1.90	116,530	925,000	599,546	1,265,000
2018	2.20	99,255	945,000	568,107	1,305,000
2019	2.45	78,165	965,000	532,377	1,335,000
2020	2.65	54,522	985,000	493,659	1,385,000
2021	2.80	28,420	1,015,000	451,233	1,430,000
2022		-	-	405,851	1,450,000
2023		-	-	346,026	1,510,000
2024		-	-	283,426	1,575,000
2025		-	-	218,238	1,645,000
2026		-	-	148,326	1,710,000
2027		-	-	75,650	1,780,000
		<u>\$ 1,087,462</u>	<u>6,880,000</u>	<u>\$ 8,224,036</u>	<u>29,235,000</u>

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. LONG-TERM LIABILITIES - CONTINUED

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

In November 2010 the District issued \$6,880,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated January 2002. The District entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$6,505,000 principal on the refunded general obligation bonds when they become callable on June 1, 2013 and the interest from June 1, 2011 to and including June 1, 2013 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$540,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$474,000.

In July 2011 the District issued \$1,590,000 of General Obligation Refunding Bonds. The proceeds from the bonds were used to refund General Obligation Refunding Bonds dated September 2002.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. LONG-TERM LIABILITIES - CONTINUED

Revenue Bonds

Year Ending June 30	Revenue Bonds of December 1, 2006			Revenue Bonds of July 1, 2011		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2012	5.00	\$ 69,250	420,000		\$ 54,184	-
2013	5.00	47,875	435,000		108,368	-
2014	4.00	27,900	455,000		108,367	-
2015	4.00	9,400	470,000		108,367	-
2016		-	-	3.00	106,192	145,000
2017		-	-	3.00	101,768	150,000
2018		-	-	3.10	97,115	155,000
2019		-	-	3.25	92,194	155,000
2020		-	-	3.25	87,075	160,000
2021		-	-	3.25	81,794	165,000
2022		-	-	3.25	76,269	175,000
2023		-	-	3.40	70,365	180,000
2024		-	-	3.50	64,067	185,000
2025		-	-	3.70	57,223	195,000
2026		-	-	3.80	49,815	200,000
2027		-	-	3.90	41,920	210,000
2028		-	-	4.00	33,425	220,000
2029		-	-	4.05	24,367	230,000
2030		-	-	4.20	14,790	475,000
		<u>\$ 154,425</u>	<u>1,780,000</u>		<u>\$ 1,377,665</u>	<u>3,000,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. **LONG-TERM LIABILITIES - CONTINUED**

Revenue Bonds - Continued

Year Ending June 30	Revenue Bonds of July 1, 2011			Total	
	Interest Rates	Interest	Principal	Interest	Principal
2012		\$ 170,462	-	\$ 293,896	420,000
2013		340,924	-	497,167	435,000
2014		340,924	-	477,191	455,000
2015		340,924	-	458,691	470,000
2016	2.50	334,924	480,000	441,116	625,000
2017	2.50	322,799	490,000	424,567	640,000
2018	2.50	310,361	505,000	407,476	660,000
2019	2.50	297,549	520,000	389,743	675,000
2020	2.50	284,361	535,000	371,436	695,000
2021	2.75	270,111	550,000	351,905	715,000
2022	3.00	253,999	570,000	330,268	745,000
2023	3.20	236,009	590,000	306,374	770,000
2024	3.40	216,114	615,000	280,181	800,000
2025	3.60	194,139	640,000	251,362	835,000
2026	3.80	169,984	665,000	219,799	865,000
2027	4.00	143,449	695,000	185,369	905,000
2028	4.10	114,583	730,000	148,008	950,000
2029	4.13	83,840	765,000	108,207	995,000
2030	4.13	51,562	1,650,000	66,352	2,125,000
		<u>\$ 4,477,018</u>	<u>10,000,000</u>	<u>\$ 6,009,108</u>	<u>14,780,000</u>

The District has pledged future local option sales and services tax revenues to repay the \$15,940,000 of School Infrastructure Local Option Sales and Services Tax Revenue Bonds issued in December 2006 and July 2011. 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 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

5. LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

- (b) \$1,421,772 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited into the project account.
- (c) All proceeds from the local option sales and services tax shall be placed in a revenue account.
- (d) Monies in the revenue fund shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (e) Additional monies shall be disbursed to the reserve account, after first making the required payments to the sinking account, until a specific minimum balance has been accumulated.
- (f) Any monies remaining in the revenue account after the required transfers to the sinking and reserve accounts may be transferred to the project account to be used for any lawful purpose.

Revenue Bond Anticipation Notes

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

In March 2009 the District issued \$3,000,000 of School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Note. The proceeds from the note are for the purpose of anticipating the school infrastructure sales, services and use tax revenues, and the issuance of School Infrastructure Sales, Services and Use Tax Revenue Bonds in order to defray the cost of acquiring and constructing athletic facility improvements. The notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. In July 2011, a School Infrastructure Local Option Sales and Services Tax Revenue Bond was issued to refund this bond anticipation note.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

6. PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$1,421,057, \$1,404,643, and \$1,293,742 respectively, equal to the required contributions for each year.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description-

The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 357 active and 48 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy-

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Annual OPEB Cost and Net OPEB Obligation-

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	284,000
Interest on net OPEB obligation		18,000
Adjustment to annual required contribution		<u>(19,000)</u>
Annual OPEB cost		283,000
Contributions made		<u>(345,000)</u>
Decrease in net OPEB obligation		(62,000)
Net OPEB obligation beginning of year		<u>616,000</u>
Net OPEB obligation end of year	\$	<u><u>554,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$345,000 to the medical plan, which includes \$203,000 paid by the District and \$142,000 of implicit subsidy as part of the pay-as-you-go employer cost. Plan members eligible for benefits contributed \$152,051, or 43% of the premium costs.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 511,000	53.23%	\$ 239,000
June 30, 2010	511,000	26.22%	616,000
June 30, 2011	283,000	121.91%	554,000

Funded Status and Funding Progress-

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$2.859 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.859 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,087,000, and the ratio of the UAAL to covered payroll was 17.77%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions-

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

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$677 per month for retirees and spouses with assumed annual age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. **RISK MANAGEMENT**

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

The District's contributions to the risk pool are recorded as expenditures from its Management Levy Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2011 were \$203,526.

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

9. **CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 3,091
Gifted and Talented	56,836
Returning dropout and dropout prevention program	115,326
Teacher salary supplement	13,540
Professional development for model core curriculum	71,981
Total	<u>\$ 260,774</u>

10. **AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,260,384 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. **CONSTRUCTION COMMITMENTS**

The District entered into contracts totaling \$1,728,485 for engineering and construction related to elementary restroom renovations, middle school addition and renovations and various roof improvements. At June 30, 2011, \$1,183,598 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the projects progress.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued
June 30, 2011

12. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	<hr/>	<hr/>
Balances June 30, 2010, as previously reported	\$ 799,727	113,048
Change in fund type classification per implementation of GASB Statement No. 54	113,048	(113,048)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	\$ 912,775	-
	<hr/> <hr/>	<hr/> <hr/>

REQUIRED SUPPLEMENTARY INFORMATION

INDIANOLA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances -
 Budget to Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2011

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts		
Local sources	\$ 17,934,038	2,007,640
State sources	18,652,521	11,419
Federal sources	<u>894,923</u>	<u>514,450</u>
Total receipts	<u>37,481,482</u>	<u>2,533,509</u>
Disbursements		
Instruction	21,091,257	-
Support services	9,232,112	-
Non-instructional programs	-	2,441,714
Other expenditures	<u>6,408,700</u>	<u>1,368</u>
Total disbursements	<u>36,732,069</u>	<u>2,443,082</u>
Excess (deficiency) of receipts over (under) disbursements	749,413	90,427
Other financing sources, net	<u>6,826,336</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	7,575,749	90,427
Balance, beginning of year	<u>4,702,137</u>	<u>371,301</u>
Balance, end of year	<u>\$ 12,277,886</u>	<u>461,728</u>

See accompanying independent auditor's report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
-	19,941,678	18,611,583	18,611,583	1,330,095
-	18,663,940	20,049,920	20,049,920	(1,385,980)
-	1,409,373	907,442	907,442	501,931
-	<u>40,014,991</u>	<u>39,568,945</u>	<u>39,568,945</u>	<u>446,046</u>
-	21,091,257	22,290,131	22,290,131	1,198,874
248,296	9,480,408	9,811,127	9,811,127	330,719
(248,296)	2,193,418	1,388,000	2,000,000	(193,418)
-	<u>6,410,068</u>	<u>4,794,493</u>	<u>5,600,000</u>	<u>(810,068)</u>
-	<u>39,175,151</u>	<u>38,283,751</u>	<u>39,701,258</u>	<u>526,107</u>
-	839,840	1,285,194	(132,313)	972,153
-	<u>6,826,336</u>	<u>-</u>	<u>-</u>	<u>6,826,336</u>
-	7,666,176	1,285,194	(132,313)	7,798,489
-	<u>5,073,438</u>	<u>3,989,546</u>	<u>3,989,546</u>	<u>1,083,892</u>
-	<u>12,739,614</u>	<u>5,274,740</u>	<u>3,857,233</u>	<u>8,882,381</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$1,417,507.

During the year ended June 30, 2011, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

INDIANOLA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 4,534	\$ 4,534	0.00%	\$ 17,667	25.66%
2010	July 1, 2008	-	4,534	4,534	0.00%	16,590	27.33%
2011	July 1, 2010	-	2,859	2,859	0.00%	16,087	17.77%

See Note 7 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.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue		Total
	Management Levy	Student Activity	
ASSETS			
Cash and pooled investments	\$ 261,756	247,190	508,946
Receivables:			
Property tax:			
Current year delinquent	4,914	-	4,914
Succeeding year	589,844	-	589,844
Accounts	-	11,411	11,411
Total assets	\$ 856,514	258,601	1,115,115
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,375	30,071	33,446
Salaries and benefits payable	-	2,638	2,638
Deferred revenue:			
Succeeding year property tax	589,844	-	589,844
Total liabilities	593,219	32,709	625,928
Fund balances			
Restricted for:			
Management levy purposes	263,295	-	263,295
Student activities	-	225,892	225,892
Total fund balances	263,295	225,892	489,187
Total liabilities and fund balances	\$ 856,514	258,601	1,115,115

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year ended June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 690,947	-	690,947
Other	38,582	581,367	619,949
State sources	424	-	424
Total revenues	<u>729,953</u>	<u>581,367</u>	<u>1,311,320</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	772,756	-	772,756
Co-curricular program instruction	-	570,112	570,112
Support services:			
Building administration services	21,530	-	21,530
Operation and maintenance of plant services	130,043	-	130,043
Transportation services	21,313	-	21,313
Total expenditures	<u>945,642</u>	<u>570,112</u>	<u>1,515,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(215,689)</u>	<u>11,255</u>	<u>(204,434)</u>
Other financing (uses):			
Interfund transfers	-	(975)	(975)
Net change in fund balances	(215,689)	10,280	(205,409)
Fund balances beginning of year	<u>478,984</u>	<u>215,612</u>	<u>694,596</u>
Fund balances end of year	<u>\$ 263,295</u>	<u>225,892</u>	<u>489,187</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Balance Sheet
Capital Project Accounts
June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 294,000	478,341	772,341
Receivables:			
Property tax:			
Current year delinquent	-	7,993	7,993
Succeeding year	-	1,194,242	1,194,242
Due from other governments	<u>1,145,318</u>	<u>-</u>	<u>1,145,318</u>
 Total assets	 <u>\$ 1,439,318</u>	 <u>1,680,576</u>	 <u>3,119,894</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts payable	\$ 50,387	167,863	218,250
Excess of warrants over bank balance	838,555	-	838,555
Other payables	130,000	-	130,000
Deferred revenue:			
Succeeding year property tax	-	1,194,242	1,194,242
Total liabilities	<u>1,018,942</u>	<u>1,362,105</u>	<u>2,381,047</u>
Fund balances:			
Restricted for:			
School infrastructure	420,376	-	420,376
Physical plant and equipment	-	318,471	318,471
Total fund balances	<u>420,376</u>	<u>318,471</u>	<u>738,847</u>
 Total liabilities and fund balances	 <u>\$ 1,439,318</u>	 <u>1,680,576</u>	 <u>3,119,894</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Project Accounts
 Year ended June 30, 2011

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 983,282	1,140,904	2,124,186
Other	16,418	15,952	32,370
State sources	<u>1,212,044</u>	<u>677</u>	<u>1,212,721</u>
Total revenues	<u>2,211,744</u>	<u>1,157,533</u>	<u>3,369,277</u>
Expenditures:			
Current:			
Support services:			
Instructional staff support services	271,334	-	271,334
Operation and maintenance of plant services	-	121,190	121,190
Transportation services	-	174,023	174,023
Other expenditures:			
Facilities acquisition and construction	<u>1,525,051</u>	<u>656,897</u>	<u>2,181,948</u>
Total expenditures	<u>1,796,385</u>	<u>952,110</u>	<u>2,748,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>415,359</u>	<u>205,423</u>	<u>620,782</u>
Other financing (uses):			
Interfund transfers	<u>(794,710)</u>	<u>-</u>	<u>(794,710)</u>
Net change in fund balances	(379,351)	205,423	(173,928)
Fund balances beginning of year	<u>799,727</u>	<u>113,048</u>	<u>912,775</u>
Fund balances end of year	<u>\$ 420,376</u>	<u>318,471</u>	<u>738,847</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Balance Sheet
 Nonmajor Proprietary Funds
 June 30, 2011

	Child Care	Home Building	Total
Assets			
Cash and pooled investments	\$ 81,897	-	81,897
Accounts receivable	1,205	-	1,205
Inventory	<u>-</u>	<u>262,967</u>	<u>262,967</u>
 Total assets	 <u>\$ 83,102</u>	 <u>262,967</u>	 <u>346,069</u>
Liabilities & Net Assets			
Liabilities:			
Accounts payable	\$ 8,894	81	8,975
Salaries and benefits payable	90,157	141	90,298
Compensated absences	4,414	-	4,414
Interfund	<u>14,411</u>	<u>124,478</u>	<u>138,889</u>
Total liabilities	<u>117,876</u>	<u>124,700</u>	<u>242,576</u>
Net assets:			
Unrestricted	<u>(34,774)</u>	<u>138,267</u>	<u>103,493</u>
Total liabilities and net assets	<u>\$ 83,102</u>	<u>262,967</u>	<u>346,069</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 6

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Proprietary Funds
Year ended June 30, 2011

	Child Care	Home Building	Total
Operating revenue:			
Other local sources:			
Charges for services	\$ 969,430	-	969,430
Miscellaneous	9,252	-	9,252
Total operating revenue	<u>978,682</u>	<u>-</u>	<u>978,682</u>
Operating expenses:			
Non-instructional programs:			
Community service operations			
Salaries	631,446	-	631,446
Benefits	121,669	-	121,669
Purchased services	234,607	-	234,607
Supplies	47,832	-	47,832
Other expenditures:			
Property	-	1,368	1,368
Total operating expenses	<u>1,035,554</u>	<u>1,368</u>	<u>1,036,922</u>
Operating income	<u>(56,872)</u>	<u>(1,368)</u>	<u>(58,240)</u>
Non-operating revenues (expenses):			
State sources	369	-	369
Federal sources	7,576	-	7,576
Interest income	57	-	57
Change in net assets	(48,870)	(1,368)	(50,238)
Net assets, beginning of year	<u>14,096</u>	<u>139,635</u>	<u>153,731</u>
Net assets, end of year	<u>\$ (34,774)</u>	<u>138,267</u>	<u>103,493</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 7

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds
Year ended June 30, 2011

	<u>Child Care</u>	<u>Home Building</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received for child care fees	\$ 977,626	-	977,626
Cash received for sale of property	-	-	-
Cash payments to employees for services	(749,140)	-	(749,140)
Cash payments to suppliers for goods and services	(286,353)	(9,613)	(295,966)
Net cash provided by operating activities	<u>(57,867)</u>	<u>(9,613)</u>	<u>(67,480)</u>
Cash flows from non-capital financing activities:			
Loan from general fund	-	-	-
Payback to general fund	-	13,982	13,982
State grants received	369	-	369
Federal grants received	7,576	-	7,576
Net cash provided by (used in) non-capital financing activities	<u>7,945</u>	<u>13,982</u>	<u>21,927</u>
Cash flows from capital and related financing activities			
Net change in capital assets	<u>-</u>	<u>(4,369)</u>	<u>(4,369)</u>
Cash flows from investing activities			
Interest on investments	<u>57</u>	<u>-</u>	<u>57</u>
Net increase in cash and cash equivalents	(49,865)	-	(49,865)
Cash and cash equivalents, beginning of year	<u>131,762</u>	<u>-</u>	<u>131,762</u>
Cash and cash equivalents, end of year	<u>\$ 81,897</u>	<u>-</u>	<u>81,897</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (56,872)	(1,368)	(58,240)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Increase in accounts receivable	(1,056)	165	(891)
Decrease in prepaid expense	-	-	-
Increase (decrease) in accounts payable	(3,914)	(8,418)	(12,332)
Increase (decrease) in salaries and benefits payable	3,975	8	3,983
Net cash provided by (used in) operating activities	<u>\$ (57,867)</u>	<u>(9,613)</u>	<u>(67,480)</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 8

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
Income on investments	\$ -	-	-	-	-
High School Drama	4,358	20,294	20,136	-	4,516
Middle School Drama	4,665	3,171	2,585	-	5,251
High School Show Choir	9,166	8,148	10,772	4,000	10,542
High School Chorus	9,506	12,179	7,301	-	14,384
Middle School Swing Choir	322	14,124	13,151	-	1,295
High School JV Show Choir	7,079	178	3,454	3,700	7,503
High School Sidewayz Show Choir	-	-	-	1,600	1,600
High School Instrumental Music	2,873	3,072	14,582	11,600	2,963
High School Orchestra	2,984	2,788	2,025	-	3,747
High School Athletics	33,491	272,294	264,400	(2,900)	38,485
Middle School Athletics	11,522	30,170	36,320	-	5,372
Middle School Yearbook	3,742	12,308	12,804	-	3,246
Middle School Student Council	75	-	2,100	2,025	-
High School Student Council	2,083	1,851	1,689	-	2,245
High School Debate	1,157	16,020	18,885	1,833	125
High School Cheerleaders	6,318	24,566	27,960	-	2,924
High School Drill Team	2,907	8,417	6,618	-	4,706
Future Farmers of America	18,020	38,323	33,729	-	22,614
Future Homemakers of America	147	21	-	-	168
High School Art Club	1,331	883	989	-	1,225
High School Auditorium Club	1,382	1,140	937	-	1,585
FFA Steer Show	5,082	4,698	4,396	-	5,384
High School National Honor Society	944	1,321	1,464	-	801
High School Art Club Beverage	242	84	151	-	175
High School Math Club	210	160	195	-	175
High School Science Club	599	1,219	1,176	-	642
German Club	1,274	2,452	1,698	-	2,028
Spanish Club	886	1,261	1,436	-	711
French Club	-	2,056	1,064	(934)	58
Senior Class Athletic Boosters	141	-	141	-	-
Middle School Vending Account	1,260	678	1,073	-	865
Middle School Account	20,599	28,279	20,435	(2,025)	26,418
Whittier School Account	16,646	4,889	7,880	-	13,655
Adult Education	2,921	-	-	(2,921)	-
Learning Center	4,169	-	1,901	2,921	5,189
Emerson School Account	304	-	-	-	304

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 8
(Continued)

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
FFA Greenhouse	488	-	228	-	260
Emerson Sunshine Account	(200)	200	-	-	-
Emerson Pop Fund	482	121	-	(603)	-
Emerson Library/Media	3,762	4,741	3,294	-	5,209
Emerson General Account	4,619	584	127	603	5,679
Class of 2011	3,243	-	9	(3,234)	-
Class of 2012	-	15,530	13,829	-	1,701
Emerson Mini Olympics	55	-	-	-	55
Middle School Book Fair	-	2,162	2,162	-	-
High School Administrative	20,957	6,258	11,926	2,335	17,624
High School Best Buddies	623	200	173	-	650
High School Jazz Encounter	-	34,527	15,892	(18,000)	635
Middle School Special Projects	<u>3,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,178</u>
Total	<u>\$ 215,612</u>	<u>581,367</u>	<u>571,087</u>	<u>-</u>	<u>225,892</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 9

Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 76,431	28,224	76,216	28,439
Other receivables	<u>1,056</u>	<u>3,435</u>	<u>1,056</u>	<u>3,435</u>
 Total assets	 <u>\$ 77,487</u>	 <u>31,659</u>	 <u>77,272</u>	 <u>31,874</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 6,070	1,271	6,070	1,271
Other payables	<u>71,417</u>	<u>30,603</u>	<u>71,417</u>	<u>30,603</u>
 Total Liabilities	 <u>\$ 77,487</u>	 <u>31,874</u>	 <u>77,487</u>	 <u>31,874</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 10

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

	Modified Accrual Basis		
	Years ended June 30,		
	2011	2010	2009
Revenues			
Local sources:			
Local tax	\$ 15,686,663	15,912,184	15,368,754
Tuition	1,016,926	1,011,388	941,459
Other	1,230,449	991,187	1,145,629
State sources	18,652,521	15,151,996	16,701,504
Federal sources	894,923	2,542,693	756,064
Total revenues	<u>\$ 37,481,482</u>	<u>35,609,448</u>	<u>34,913,410</u>
Expenditures			
Instruction:			
Regular instruction	\$ 13,461,045	13,839,320	13,713,558
Special education instruction	3,146,884	3,094,278	3,147,483
Vocational instruction	378,948	435,164	422,441
Other instruction	1,694,776	1,512,691	1,196,142
Co-curricular instruction	2,055,977	1,937,834	1,881,048
Support services:			
Student support services	774,264	630,106	668,175
Instructional staff support services	1,422,602	1,203,729	1,446,168
General administration services	431,163	451,624	435,795
Building administration services	1,538,670	1,553,884	1,613,016
Operation and maintenance of plant services	3,117,756	2,993,129	3,026,383
Transportation services	1,161,328	1,080,749	1,316,868
Central services	786,329	726,883	771,858
Community service and education operations	-	-	-
Other expenditures:			
Non-instructional programs	-	-	-
Facilities acquisition and construction	2,181,948	3,011,321	6,153,495
Long-term debt:			
Principal	1,690,000	1,630,000	4,620,000
Interest and fiscal charges	1,276,368	1,190,515	1,343,789
AEA flowthrough	1,260,384	1,251,043	1,111,247
Total expenditures	<u>\$ 36,378,442</u>	<u>36,542,270</u>	<u>42,867,466</u>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
13,459,352	12,508,329	11,556,719	11,155,297	9,453,400
895,250	913,613	931,222	826,287	779,808
1,604,330	1,496,556	1,146,837	865,680	909,707
16,972,267	15,386,976	14,155,617	13,333,031	12,856,297
506,357	495,465	551,291	588,488	739,403
<u>33,437,556</u>	<u>30,800,939</u>	<u>28,341,686</u>	<u>26,768,783</u>	<u>24,738,615</u>
12,040,987	11,116,935	10,032,807	9,463,862	9,350,313
2,924,952	2,837,181	3,003,149	3,832,301	3,527,195
641,745	623,506	554,621	519,396	545,547
731,463	694,564	789,122	-	-
1,777,852	1,690,543	1,588,161	1,144,129	873,111
898,831	927,896	856,960	766,361	748,148
1,055,649	854,681	712,607	1,029,274	1,074,293
375,229	328,704	359,662	366,159	258,592
1,428,637	1,401,617	1,301,947	1,225,589	1,301,109
2,687,036	2,564,729	2,641,965	2,438,104	2,416,306
1,009,201	1,413,983	1,157,978	1,131,558	766,648
611,214	653,393	585,305	587,773	498,009
-	-	-	-	5,000
-	-	34,770	23,035	-
11,029,613	3,405,635	2,083,922	1,247,877	3,277,738
1,805,000	2,486,458	2,041,464	1,161,464	1,091,464
1,412,907	806,177	879,809	981,063	1,017,459
1,072,459	992,321	905,900	859,417	848,257
<u>41,502,775</u>	<u>32,798,323</u>	<u>29,530,149</u>	<u>26,777,362</u>	<u>27,599,189</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 11

Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 45,816
National School Lunch Program	10.555	FY11	371,568
National School Lunch Program - USDA Commodities (non-cash)	10.555	FY11	<u>89,490</u>
			<u>506,874</u>
Child and Adult Care Food Program	10.558	FY11	<u>5,576</u>
			<u>512,450</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	198,691
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>44,369</u>
			<u>243,060</u>
State Fiscal Stabilization Fund Cluster:			
ARRA State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	167,798
ARRA State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	<u>149,667</u>
			<u>317,465</u>
Improving Teacher Quality State Grants	84.367	FY11	86,306
Grants for State Assessments and Related Activities	84.369	FY11	21,535
Career and Technical Education - Basic Grants to States	84.048	FY11	20,753
Advanced Placement Program	84.330	FY11	513
Heartland Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States (Individuals with Disabilities Education Act, Part B)	84.027	FY11	168,083
Special Education - Grants to States (Success 4 Planning, Positive Behavior Support)	84.027	FY11	2,000
ARRA Special Education - Grants to States, Recovery Act	84.391	FY11	<u>477</u>
			<u>170,560</u>
			<u>860,192</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

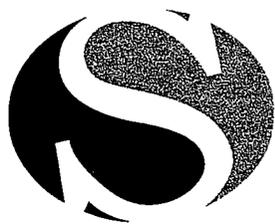
Schedule 11
(Continued)

Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Health:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY11	2,000
			<u>\$ 1,374,642</u>

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

See accompanying independent auditor's report.



Shull

and Co. P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of the
Indianola Community School District

Compliance

We have audited the compliance of the Indianola Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. Indianola Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion Indianola Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Stull & Co., P.C.

December 20, 2011



Shull and Co. P.C.

certified public accountants

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

To the Board of Education of the
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Indianola Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Indianola Community School District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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

Shull & Co., P.C.

December 20, 2011

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (A) Unqualified opinions were issued on the financial statements.
- (B) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (C) The audit did not disclose any noncompliance which is material to the financial statements.
- (D) The audit did not disclose any reportable conditions in internal control over major programs.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:

Clustered Programs:

- CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
- CFDA Number 84.397 - ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

Clustered Programs:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program

- (H) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) The Indianola Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

None

Part III: Findings and Questioned Costs for Federal Awards:

None

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2011

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

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amounts in non-instructional programs and other expenditures functions.

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

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

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 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-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

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

Conclusion – Response accepted.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2011

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

- IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 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 and use tax revenue.

Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales and services and use tax revenue in the District's CAR:

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2011

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

IV-L-11 Statewide Sales and Services Tax - Continued

Beginning balance		\$	799,727
Revenues/transfers in:			
Statewide sales and services tax revenue	\$	983,282	
School infrastructure supplemental amount		1,212,043	
Investment earnings		585	
Other		<u>15,834</u>	2,211,744
Expenditures/transfers out:			
School infrastructure:			
Land Purchased	\$	210,298	
Buildings		1,173,553	
Equipment		271,334	
Site improvements		141,200	
Transfers to debt service for school infrastructure:			
General obligation debt		250,000	
Revenue debt		<u>544,710</u>	<u>2,591,095</u>
Ending balance			<u>420,376</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-10 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.