

**INDIANOLA COMMUNITY SCHOOL DISTRICT**

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

**June 30, 2012**



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

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Indianola Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September 2011 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

<b>Board of Education</b> (After September 2011 Election)		
Carolyn Langenwalter	President	2013
Joe Royer	Board Member	2013
Eric Neessen	Board Member	2013
Chris Goodale	Board Member	2015
Darren Heater	Board Member	2015
Scott Gray	Board Member	2015
Kurt Lickiss	Board Member	2015

**School Officials**

Dr. Michael Teigland	Superintendent	2012
Darcy Moeller	District Secretary/Treasurer	2012
Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee, P.C.	Attorney	2012



# Shull

and Co. P.C.  
certified public accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indianola Community School District, Indianola Iowa, as of and for the year ended June 30, 2012, 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, 2012 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 November 30, 2012 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 56 through 59 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 eight years ended June 30, 2011 (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.

*Shull & Co., P.C.*

November 30, 2012

## **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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

General Fund

- The state legislature approved a 0% increase to the 2011-12 district cost per pupil – the per pupil amount remained \$5,883.
- The District general fund revenues include \$647,025 in Federal Ed Jobs Funding. This is one time funding.
- The 2011-12 budget enrollment (October 2010 head count) was 3,349.76—an increase of 47.5 students. In 2011-12, the Indianola Community School District was the 28th largest Iowa school district out of 351 districts.
- The 2011-12 package settlement was 3.25% with the Indianola Education Association. The statewide average settlement was 3.33%. Comparable increases were provided to most other staff groups.
- The unassigned general fund balance increased \$2,031,797 from \$3,412,186 (2010-11) to \$5,443,983 (2011-12).
- The solvency ratio increased from 11.6% (2010-11) to 17.4% (2011-12). 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 15%--not to exceed 25%.
- The unspent balance of the district increased from \$6,859,282 (2010-11) to \$7,487,294 (2011-12).
- The 2011-12 special education deficit increased from \$388,188 to \$604,634.
- Total 2011-12 taxable valuation of the district increased by 4.8%.

Other

- The overall 2011-12 tax levy rate remained \$20.90/\$1,000 of assessed valuation.
- Total net assets of the district increased from \$28,493,175 to \$34,149,984.

**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, 2012 compared to June 30, 2011.

	Condensed Statement of Net Assets						
	Governmental		Business-type		Total		Total
	Activities		Activities		District		% Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 40,595,890	32,891,221	484,004	392,037	41,079,894	33,283,258	23.4
Capital assets	64,872,153	50,515,554	111,475	371,308	64,983,628	50,886,862	27.7
Total assets	<u>105,468,043</u>	<u>83,406,775</u>	<u>595,479</u>	<u>763,345</u>	<u>106,063,522</u>	<u>84,170,120</u>	<u>26.0</u>
Long-term liabilities	50,866,291	34,523,919	-	-	50,866,291	34,523,919	47.3
Other liabilities	<u>20,908,779</u>	<u>20,851,409</u>	<u>138,468</u>	<u>301,617</u>	<u>21,047,247</u>	<u>21,153,026</u>	<u>(0.5)</u>
Total liabilities	<u>71,775,070</u>	<u>55,375,328</u>	<u>138,468</u>	<u>301,617</u>	<u>71,913,538</u>	<u>55,676,945</u>	<u>29.2</u>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	14,493,862	18,338,789	-	-	14,493,862	18,338,789	(21.0)
Restricted	9,257,702	8,445,324	109,202	121,545	9,366,904	8,566,869	9.3
Unrestricted	<u>9,941,409</u>	<u>1,247,334</u>	<u>347,809</u>	<u>340,183</u>	<u>10,289,218</u>	<u>1,587,517</u>	<u>548.1</u>
Total net assets	<u>\$ 33,692,973</u>	<u>28,031,447</u>	<u>457,011</u>	<u>461,728</u>	<u>34,149,984</u>	<u>28,493,175</u>	<u>19.9</u>

The District's combined net assets increased by 19.9%, or \$5,656,809 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 \$3,844,927, or 21.0% 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 \$800,035, or 9.3% over the prior year.

The following schedule shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

**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>
<b>Revenues</b>			
Program revenues			
Charges for service	\$ 1,996,073	2,067,058	4,063,131
Operating grants, contributions and restricted interest	4,872,154	541,750	5,413,904
Capital grants, contributions and restricted interest	1,501,000	-	1,501,000
General revenues			
Property tax	15,266,792	-	15,266,792
Local option sales and services tax	2,573,796	-	2,573,796
Unrestricted state grants	14,868,025	-	14,868,025
Unrestricted interest on investment	41,795	29	41,824
Other general receipts	98,095	251,000	349,095
Transfers, net	2,882	(2,882)	-
Total receipts	<u>41,220,612</u>	<u>2,856,955</u>	<u>44,077,567</u>
Program expenses			
Governmental activities			
Instruction	22,242,623	-	22,242,623
Support services	9,821,597	-	9,821,597
Non-instructional programs	-	2,578,499	2,578,499
Other expenses	3,437,349	283,173	3,720,522
Total disbursements and transfers	<u>35,501,569</u>	<u>2,861,672</u>	<u>38,363,241</u>
Change in net assets	<u>\$ 5,719,043</u>	<u>(4,717)</u>	<u>5,714,326</u>

Property tax, local option sales and services tax, unrestricted state grants, unrestricted interest on investments and other general fund receipts account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$41,220,612 and expenses were \$35,501,569.

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 Sevices	Net Cost of Sevices
Instruction	\$ 22,242,623	16,908,275
Support services	9,821,597	9,440,458
Non-instructional programs	-	-
Other expenses	3,437,349	783,609
Totals	\$ 35,501,569	27,132,342

**Business-Type Activities**

Revenues of the District's business-type activity were \$2,856,955 and expenses were \$2,861,672. 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 \$20,112,650; an increase from last year's ending fund balances of \$12,277,886.

**Governmental Fund Highlights**

The District's General Fund financial position is the product of many factors. The overall general fund balance increased by \$1,917,740.

The Governmental Funds include a \$5,525,022 fund balance from the Statewide Sales Tax. This was the eighth year that the district collected revenues from the Statewide Sales Tax.

**Business-Type Fund Highlight**

The School Nutrition Fund net assets increased from \$358,235 to \$401,103.

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 2012, the District had invested \$86.0 million, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. This amount represents a net increase of 23.2% from last year. More detailed information about capital assets is available in Note 4 to the financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Management Discussion & Analysis (Continued)

	Governmental Activities		Capital Assets Business-type Activities		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 1,680,294	1,623,794	-	-	1,680,294	1,413,496	3.5
Construction in progress	15,985,520	1,539,117	-	262,967	15,985,520	1,802,084	787.1
Buildings	53,716,972	52,942,052	-	-	53,716,972	52,942,052	1.5
Improvements other than buildings	6,112,785	5,899,261	-	-	6,112,785	5,899,261	3.6
Furniture and equipment	8,246,547	7,293,116	235,445	216,016	8,481,992	7,509,132	13.0
Total assets	<u>\$ 85,742,118</u>	<u>69,297,340</u>	<u>235,445</u>	<u>478,983</u>	<u>85,977,563</u>	<u>69,566,025</u>	<u>23.2</u>

**Long-Term Debt**

At year-end, the district had \$50,912,971 in general obligation debt and other long-term debt outstanding. This represents an increase of \$16,318,698 from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Outstanding Long-term Obligations		
	Total District		Total % Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 27,905,000	29,235,000	(4.5)
Discounts	(26,930)	(58,235)	(53.8)
Revenue Bonds	22,605,000	1,780,000	1,169.9
Premium (Discount)	(104,779)	13,154	(896.6)
Revenue Bond Anticipation Notes	-	3,000,000	-
Net OPEB liability	488,000	554,000	(11.9)
Compensated absences	46,680	70,354	(33.6)
Total assets	<u>\$ 50,912,971</u>	<u>34,594,273</u>	<u>47.2</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 approved 2% allowable growth for the 2012-13 fiscal year. The 2013-14 allowable growth has not been set.
- The 2012-13 budget enrollment (October 11 head count) increased by 59.63 students to 3,409.39.
- The 2012-13 overall property tax rate decreased from \$20.90 to \$20.46/\$1,000 of assessed valuation.
- For 2012-13, the District settlement with the Indianola Education Association was 3.75%. The statewide average settlement was 3.71%. 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 despite 0% allowable growth.
- 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.
- The state legislature is debating major renovations to allowable growth, teacher compensation, and the taxability of property classes. Major education reforms are also being considered. The financial impact of these changes is uncertain.
- Federal funds are subject to sequestration.
- The financial impact of Health Care Reform in 2014-15 may be significant. The impact will be established during the 2013-14 determination period.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets  
June 30, 2012

	<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 agent	7,598,677	-	7,598,677
Other	15,343,695	345,575	15,689,270
Receivables:			
Property tax:			
Current year delinquent	109,589	-	109,589
Succeeding year	14,882,859	-	14,882,859
Accounts	26,048	29,227	55,275
Due from other governments	2,634,610	-	2,634,610
Prepaid expense	412	-	412
Inventories	-	109,202	109,202
Capital assets, net of accumulated depreciation	<u>64,872,153</u>	<u>111,475</u>	<u>64,983,628</u>
 Total assets	 <u>105,468,043</u>	 <u>595,479</u>	 <u>106,063,522</u>
Liabilities			
Accounts payable	1,505,154	21,921	1,527,075
Excess of warrants over bank balance	-	-	-
Salaries and benefits payable	3,236,356	113,957	3,350,313
Accrued interest payable	381,449	-	381,449
Other payables	-	-	-
Deferred revenue:			
Succeeding year property tax	14,882,859	-	14,882,859
American Recovery and Reinvestment funds	-	-	-
Other	858,871	-	858,871
Compensated absences	44,090	2,590	46,680

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A  
(Continued)

Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities (Continued)			
Long-term liabilities:			
Portion due within one year:			
Bonds payable	7,880,000	-	7,880,000
Revenue Bonds	1,360,000	-	1,360,000
Portion due after one year:			
Bonds payable (net of unamortized discounts)	19,998,070	-	19,998,070
Revenue bonds payable (net of unamortized premium/discount)	21,140,221	-	21,140,221
Net other post employment benefits liability	488,000	-	488,000
Total liabilities	<u>71,775,070</u>	<u>138,468</u>	<u>71,913,538</u>
Net assets			
Invested in capital assets, net of related debt	14,493,862	-	14,493,862
Restricted for:			
Inventories	-	109,202	109,202
Categorical funding	146,717	-	146,717
Management levy purposes	284,059	-	284,059
Physical plant and equipment	67,698	-	67,698
Student activities	211,790	-	211,790
Debt service	8,433,381	-	8,433,381
Unrestricted	<u>10,055,466</u>	<u>347,809</u>	<u>10,403,275</u>
Total net assets	<u>\$ 33,692,973</u>	<u>457,011</u>	<u>34,149,984</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities  
June 30, 2012

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$13,754,826	1,096,327	2,328,306
Special education instruction	3,445,107	227,445	493,006
Vocational instruction	590,777	-	23,283
Other instruction	1,926,236	-	241,363
Community service programs	309,897	-	291,209
Co-curricular instruction	2,215,780	581,303	52,106
	<u>22,242,623</u>	<u>1,905,075</u>	<u>3,429,273</u>
Support services:			
Student support services	844,936	-	143,373
Instructional staff support services	1,519,707	-	58,310
General administration services	467,186	-	-
Building administration services	1,708,244	-	282
Operation and maintenance of plant services	3,248,880	88,632	33,879
Transportation services	1,255,198	2,366	25,548
Central services	807,883	-	28,749
	<u>9,852,034</u>	<u>90,998</u>	<u>290,141</u>
Other expenditures:			
Facilities acquisition	222,995	-	-
Long-term debt:			
Interest and fiscal charges	1,689,937	-	-
AEA flowthrough	1,152,740	-	1,152,740
Depreciation (unallocated)*	398,757	-	-
	<u>3,464,429</u>	<u>-</u>	<u>1,152,740</u>
Total governmental activities	35,559,086	1,996,073	4,872,154

Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Capital Grants, Contributions and Restricted Interest			
-	(10,330,193)	-	(10,330,193)
-	(2,724,656)	-	(2,724,656)
-	(567,494)	-	(567,494)
-	(1,684,873)	-	(1,684,873)
-	(18,688)	-	(18,688)
-	(1,582,371)	-	(1,582,371)
-	(16,908,275)	-	(16,908,275)
-	(701,563)	-	(701,563)
-	(1,461,397)	-	(1,461,397)
-	(467,186)	-	(467,186)
-	(1,707,962)	-	(1,707,962)
-	(3,126,369)	-	(3,126,369)
-	(1,227,284)	-	(1,227,284)
-	(779,134)	-	(779,134)
-	(9,470,895)	-	(9,470,895)
1,501,000	1,278,005	-	1,278,005
-	(1,689,937)	-	(1,689,937)
-	-	-	-
-	(398,757)	-	(398,757)
1,501,000	(810,689)	-	(810,689)
1,501,000	(27,189,859)	-	(27,189,859)

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities  
June 30, 2012

	<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	2,578,499	2,067,058	541,750
Other expenditures:			
Home Building	283,173	-	-
Total business-type activities	<u>2,861,672</u>	<u>2,067,058</u>	<u>541,750</u>
Total	<u>\$ 38,420,758</u>	<u>4,063,131</u>	<u>5,413,904</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, as restated, see Note to Financial Statements #12

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)

<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities	Total
-	-	30,309	30,309
-	-	(283,173)	(283,173)
-	-	(252,864)	(252,864)
<u>1,501,000</u>	<u>(27,189,859)</u>	<u>(252,864)</u>	<u>(27,442,723)</u>
	11,208,906	-	11,208,906
	3,451,419	-	3,451,419
	606,467	-	606,467
	2,573,796	-	2,573,796
	14,868,025	-	14,868,025
	41,795	29	41,824
	98,095	251,000	349,095
	2,882	(2,882)	-
	<u>32,851,385</u>	<u>248,147</u>	<u>33,099,532</u>
	5,661,526	(4,717)	5,656,809
	<u>28,031,447</u>	<u>461,728</u>	<u>28,493,175</u>
	<u>\$ 33,692,973</u>	<u>457,011</u>	<u>34,149,984</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2012

Assets	General	Debt Service
Cash and pooled investments:		
U.S. Treasury Securities on deposit with escrow agent	\$ -	7,598,677
Other	8,766,466	817,392
Receivables		
Property tax:		
Current year delinquent	78,699	17,312
Succeeding year	10,838,554	2,023,031
Accounts	14,620	-
Due from other governments	405,179	-
Income surtax receivable	858,871	-
Prepaid expense	412	-
	<u>\$ 20,962,801</u>	<u>10,456,412</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 440,815	-
Salaries and benefits payable	3,233,861	-
Deferred revenue		
Succeeding year property tax	10,838,554	2,023,031
Other	858,871	-
Total liabilities	<u>15,372,101</u>	<u>2,023,031</u>
Fund balances		
Restricted for:		
Categorical funding	146,717	-
Debt service	-	8,433,381
Management levy purposes	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Student activities	-	-
Unassigned	5,443,983	-
Total fund equity	<u>5,590,700</u>	<u>8,433,381</u>
Total liabilities and fund balances	<u>\$ 20,962,801</u>	<u>10,456,412</u>

See notes to financial statements.

Exhibit C

Capital Projects	Nonmajor	Total
-	-	7,598,677
5,224,142	535,695	15,343,695
9,073	4,505	109,589
1,271,274	750,000	14,882,859
-	11,428	26,048
1,370,480	80	1,775,739
-	-	858,871
-	-	412
<u>7,874,969</u>	<u>1,301,708</u>	<u>40,595,890</u>
1,010,975	53,364	1,505,154
-	2,495	3,236,356
1,271,274	750,000	14,882,859
-	-	858,871
<u>2,282,249</u>	<u>805,859</u>	<u>20,483,240</u>
-	-	146,717
-	-	8,433,381
-	284,059	284,059
5,525,022	-	5,525,022
67,698	-	67,698
-	211,790	211,790
-	-	5,443,983
<u>5,592,720</u>	<u>495,849</u>	<u>20,112,650</u>
<u>7,874,969</u>	<u>1,301,708</u>	<u>40,595,890</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit D

Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Assets  
June 30, 2012

Total fund balances of governmental funds	\$ 20,112,650
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.	64,872,153
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.	(381,449)
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>(50,910,381)</u>
Net assets of governmental activities	<u>\$ 33,692,973</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, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues					
Local sources:					
Local tax	\$ 11,208,906	2,271,093	2,201,850	590,783	16,272,632
Tuition	1,116,534	-	-	-	1,116,534
Other	447,400	35,258	1,501,565	610,888	2,595,111
State sources	18,375,951	1,299	1,568,637	351	19,946,238
Federal sources	1,284,241	-	-	-	1,284,241
Total revenues	<u>32,433,032</u>	<u>2,307,650</u>	<u>5,272,052</u>	<u>1,202,022</u>	<u>41,214,756</u>
Expenditures					
Current:					
Instruction:					
Regular instruction	12,490,296	-	-	431,247	12,921,543
Special education instruction	3,347,962	-	-	-	3,347,962
Vocational instruction	569,254	-	-	-	569,254
Other instruction	1,926,236	-	-	-	1,926,236
Community service programs	309,897	-	-	-	309,897
Co-curricular instruction	1,507,203	-	-	587,051	2,094,254
	<u>20,150,848</u>	<u>-</u>	<u>-</u>	<u>1,018,298</u>	<u>21,169,146</u>
Support services:					
Student support services	793,789	-	-	-	793,789
Instructional staff support services	1,537,283	-	390,080	-	1,927,363
General administration services	459,562	-	-	-	459,562
Building administration services	1,606,774	-	-	-	1,606,774
Operation and maintenance of plant services	3,011,361	-	98,932	147,504	3,257,797
Transportation services	1,009,327	-	19,306	29,605	1,058,238
Central services	799,417	19,472	-	-	818,889
	<u>9,217,513</u>	<u>19,472</u>	<u>508,318</u>	<u>177,109</u>	<u>9,922,412</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E  
(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Expenditures (Continued)					
Other expenditures:					
Facilities acquisition and construction	-	-	16,068,860	-	16,068,860
Long-term debt:					
Principal	-	6,340,000	-	-	6,340,000
Interest and fiscal charges	-	1,461,518	-	-	1,461,518
AEA flowthrough	<u>1,152,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152,740</u>
	<u>1,152,740</u>	<u>7,801,518</u>	<u>16,068,860</u>	<u>-</u>	<u>25,023,118</u>
Total expenditures	<u>30,521,101</u>	<u>7,820,990</u>	<u>16,577,178</u>	<u>1,195,407</u>	<u>56,114,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,911,931</u>	<u>(5,513,340)</u>	<u>(11,305,126)</u>	<u>6,615</u>	<u>(14,899,920)</u>
Other financing sources (uses)					
Refunding note proceeds, net of discount	-	1,608,047	21,120,781	-	22,728,828
Sale of assets	2,974	-	-	-	2,974
Interfund transfers	<u>2,835</u>	<u>4,961,782</u>	<u>(4,961,782)</u>	<u>47</u>	<u>2,882</u>
Total other financing sources (uses)	<u>5,809</u>	<u>6,569,829</u>	<u>16,158,999</u>	<u>47</u>	<u>22,734,684</u>
Net change in fund balances	1,917,740	1,056,489	4,853,873	6,662	7,834,764
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 5,590,700</u>	<u>8,433,381</u>	<u>5,592,720</u>	<u>495,849</u>	<u>20,112,650</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, 2012

Net change in fund balances - total governmental funds		\$ 7,834,764
Amounts reported for governmental activities in the statements of activities are different because:		
<p>Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Expenditures for capital assets	\$ 16,444,778	
Depreciation expense	<u>(2,088,179)</u>	14,356,599
<p>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 amortization expense in the year are as follows:</p>		
Amortization of discounts		(19,544)
<p>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:</p>		
Issued	\$ (22,728,828)	
Repaid	<u>6,340,000</u>	(16,388,828)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		(208,875)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences	\$ 21,410	
Other post employment benefits	<u>66,000</u>	<u>87,410</u>
Change in net assets of governmental activities		<u>\$ 5,661,526</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2012

	School Nutrition	Nonmajor Proprietary	Total
Assets			
Cash and pooled investments	\$ 204,132	141,443	345,575
Accounts receivable	-	29,227	29,227
Inventories	109,202	-	109,202
Property and equipment - net	111,475	-	111,475
Total assets	<u>\$ 424,809</u>	<u>170,670</u>	<u>595,479</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	\$ 7,595	14,326	21,921
Salaries and benefits payable	15,959	97,998	113,957
Compensated absences	152	2,438	2,590
Interfund	-	-	-
Total liabilities	<u>23,706</u>	<u>114,762</u>	<u>138,468</u>
Net assets:			
Invested in capital assets	111,475	-	111,475
Unrestricted	289,628	55,908	345,536
Total net assets	<u>401,103</u>	<u>55,908</u>	<u>457,011</u>
Total liabilities and net assets	<u>\$ 424,809</u>	<u>170,670</u>	<u>595,479</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Proprietary Funds  
 Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating revenue			
Local sources:			
Charges for services	\$ 881,708	1,041,125	1,922,833
Sale of property	-	251,000	251,000
Miscellaneous	135,105	9,120	144,225
Total operating revenue	<u>1,016,813</u>	<u>1,301,245</u>	<u>2,318,058</u>
Operating expenses			
Non-instructional programs			
Food service and community service operations			
Salaries	557,544	653,667	1,211,211
Benefits	143,223	130,850	274,073
Purchased services	24,559	282,762	307,321
Supplies	769,598	-	769,598
Depreciation	16,296	-	16,296
	<u>1,511,220</u>	<u>1,067,279</u>	<u>2,578,499</u>
Other expenditures			
Property	-	283,173	283,173
Total operating expenses	<u>1,511,220</u>	<u>1,350,452</u>	<u>2,861,672</u>
Operating income (loss)	<u>(494,407)</u>	<u>(49,207)</u>	<u>(543,614)</u>
Non-operating revenue			
State sources	11,659	-	11,659
Federal sources	525,696	4,395	530,091
Transfer to general fund	(100)	(2,782)	(2,882)
Interest income	20	9	29
	<u>537,275</u>	<u>1,622</u>	<u>538,897</u>
Change in net assets	42,868	(47,585)	(4,717)
Net assets, beginning of year	<u>358,235</u>	<u>103,493</u>	<u>461,728</u>
Net assets, end of year	<u>\$ 401,103</u>	<u>55,908</u>	<u>457,011</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2012

	School Nutrition	Nonmajor Proprietary	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 1,016,813	-	1,016,813
Cash received for child care fees	-	1,022,223	1,022,223
Cash received for sale of property	-	251,000	251,000
Cash payments to employees for services	(703,297)	(778,652)	(1,481,949)
Cash payments to suppliers for goods and services	(696,285)	(560,725)	(1,257,010)
Net cash provided (used) by operating activities	<u>(382,769)</u>	<u>(66,154)</u>	<u>(448,923)</u>
Cash flows from non-capital financing activities			
Loan from general fund	(26,130)	(141,671)	(167,801)
State grants received	11,659	-	11,659
Federal grants received	434,505	4,395	438,900
Net cash provided (used) by non-capital financing activities	<u>420,034</u>	<u>(137,276)</u>	<u>282,758</u>
Cash flows from capital and related financing activities			
Net change in capital assets	(19,430)	262,967	243,537
Net cash used by capital and related financing activities	<u>(19,430)</u>	<u>262,967</u>	<u>243,537</u>
Cash flows from investing activities			
Interest on investments	20	9	29
Net cash from investing activities	<u>20</u>	<u>9</u>	<u>29</u>
Net increase (decrease) in cash and cash equivalents	17,855	59,546	77,401
Cash and cash equivalents beginning of year	<u>186,277</u>	<u>81,524</u>	<u>267,801</u>
Cash and cash equivalents end of year	<u>\$ 204,132</u>	<u>141,070</u>	<u>345,202</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (494,407)	(49,207)	(543,614)
Depreciation expense	16,296	-	16,296
Commodities used	92,304	-	92,304
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Increase in accounts receivable	-	(28,022)	(28,022)
Decrease in inventories	12,343	-	12,343
Increase (decrease) in accounts payable	(6,775)	5,351	(1,424)
Increase (decrease) in salaries and benefits payable	(2,530)	5,724	3,194
Net cash provided by (used) by operating activities	<u>\$ (382,769)</u>	<u>(66,154)</u>	<u>(448,923)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2012, the District received Federal commodities valued at \$85,284 and consumed Federal commodities of \$92,304 during the year.

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

Assets	Agency
Cash and pooled investments	\$ 85,711
Other receivables	1,125
Total assets	\$ 86,836
Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 6,564
Other payables	80,272
Total Liabilities	\$ 86,836

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements  
June 30, 2012

## 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, 2012

## 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, 2012

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, 2012

## 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, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012

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, 2012

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, 2012. 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, 2012

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, 2012 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.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

2. **CASH AND POOLED INVESTMENTS - CONTINUED**

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$4,507,446 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

In addition, at June 30, 2012, the District had the following investments:

	<u>Fair Value</u>
U.S. Treasury Securities	\$ 6,615,546
Federated Prime Cash Obligations	728,761

3. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	School Nutrition	\$ 100
	Home Building	<u>2,782</u>
		<u>2,882</u>
Student Activity	General Fund	<u>47</u>
Debt Service	Local Option Sales Tax	<u>4,961,782</u>
		<u>\$ 4,964,664</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,623,794	56,500	-	1,680,294
Construction in progress	<u>1,539,117</u>	<u>14,710,388</u>	<u>263,985</u>	<u>15,985,520</u>
	<u>3,162,911</u>	<u>14,766,888</u>	<u>263,985</u>	<u>17,665,814</u>
Capital assets being depreciated:				
Buildings	52,942,052	774,920	-	53,716,972
Improvements other than buildings	5,899,261	213,524	-	6,112,785
Furniture and equipment	<u>7,293,116</u>	<u>953,431</u>	<u>-</u>	<u>8,246,547</u>
	<u>66,134,429</u>	<u>1,941,875</u>	<u>-</u>	<u>68,076,304</u>
Less accumulated depreciation for:				
Buildings	13,402,141	1,093,904	-	14,496,045
Improvements other than buildings	1,118,992	294,301	-	1,413,293
Furniture and equipment	<u>4,260,653</u>	<u>699,974</u>	<u>-</u>	<u>4,960,627</u>
	<u>18,781,786</u>	<u>2,088,179</u>	<u>-</u>	<u>20,869,965</u>
Total capital assets being depreciated, net	<u>47,352,643</u>	<u>(146,304)</u>	<u>-</u>	<u>47,206,339</u>
Governmental activities capital assets, net	<u>\$ 50,515,554</u>	<u>14,620,584</u>	<u>263,985</u>	<u>64,872,153</u>
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ <u>262,967</u>	<u>20,206</u>	<u>283,173</u>	<u>-</u>
Capital assets being depreciated:				
Furniture and equipment	216,016	19,429	-	235,445
Less accumulated depreciation	<u>107,674</u>	<u>16,296</u>	<u>-</u>	<u>123,970</u>
	<u>108,342</u>	<u>3,133</u>	<u>-</u>	<u>111,475</u>
Business-type activities capital assets, net	<u>\$ 371,309</u>	<u>23,339</u>	<u>283,173</u>	<u>111,475</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

4. **CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 925,196
Special	97,145
Vocational	32,523
Co-curricular	127,635

Support services:

Student support	59,886
Instructional staff	71,755
General administration	15,024
Building administration	73,815
Central services	13,830
Operation and maintenance of plant	56,921
Transportation	<u>215,692</u>

1,689,422

Unallocated depreciation

398,757

Total governmental activities depreciation expense

\$ 2,088,179

Business-type activities:

Food services	<u>\$ 16,296</u>
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5. **LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 29,235,000	1,590,000	2,920,000	27,905,000	7,880,000
Discounts	(58,235)	18,047	(13,258)	(26,930)	-
Revenue Bonds	1,780,000	21,245,000	420,000	22,605,000	1,360,000
Premium	13,154	(124,219)	(6,286)	(104,779)	-
Revenue Bond Anticipation Notes	3,000,000	-	3,000,000	-	-
Net OPEB liability	554,000	-	66,000	488,000	-
Compensated absences	<u>70,354</u>	<u>46,680</u>	<u>70,354</u>	<u>46,680</u>	<u>46,680</u>
Total	<u>\$ 34,594,273</u>	<u>22,775,508</u>	<u>6,456,810</u>	<u>50,912,971</u>	<u>9,286,680</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable

Details of the District's June 30, 2012 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
2013	5.00	\$ 338,146	6,630,000	2.65	\$ 16,165	610,000

  

Year Ending June 30	Bond Issue of December 1, 2006			Bond Issue of July 1, 2007		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
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>\$ 855,995</u>	<u>2,800,000</u>		<u>\$ 4,965,494</u>	<u>10,000,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable- Continued

Year Ending June 30	Refunding Bond Issue of July 1, 2011			Total	
	Interest Rates	Interest	Principal	Interest	Principal
	2013	1.50	\$ 15,120	640,000	
2014	1.60	5,520	345,000		
		<u>\$ 20,640</u>	<u>985,000</u>		

  

Year Ending June 30	Refunding Bond Issue of November 1, 2010			Total	
	Interest Rates	Interest	Principal	Interest	Principal
	2013		\$ 145,435	-	1,049,816
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>\$ 942,027</u>	<u>6,880,000</u>	<u>\$ 7,138,467</u>	<u>27,905,000</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, 2012

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.

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.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30	Revenue Bonds of December 1, 2006			Revenue Bonds of April 2, 2012		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2013	5.00	\$ 29,375	1,360,000		\$ 34,223	-
2014		-		2.00	41,250	455,000
2015		-		2.00	28,250	845,000
2016		-	-	2.00	16,000	380,000
2017		-	-	2.00	12,200	300,000
2018		-	-	2.00	6,100	310,000
		<u>\$ 29,375</u>	<u>1,360,000</u>		<u>\$ 138,023</u>	<u>2,290,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

5. LONG-TERM LIABILITIES - CONTINUED

Revenue Bonds – Continued

Year Ending June 30	Revenue Bonds of July 1, 2011			Revenue Bonds of July 1, 2011		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2013		\$ 340,924	-		\$ 108,368	-
2014		340,924	-		108,367	-
2015		340,924	-		108,367	-
2016	2.50	334,924	480,000	3.00	106,192	145,000
2017	2.50	322,799	490,000	3.00	101,768	150,000
2018	2.50	310,361	505,000	3.10	97,115	155,000
2019	2.50	297,549	520,000	3.25	92,194	155,000
2020	2.50	284,361	535,000	3.25	87,075	160,000
2021	2.75	270,111	550,000	3.25	81,794	165,000
2022	3.00	253,999	570,000	3.25	76,269	175,000
2023	3.20	236,009	590,000	3.40	70,365	180,000
2024	3.40	216,114	615,000	3.50	64,067	185,000
2025	3.60	194,139	640,000	3.70	57,223	195,000
2026	3.80	169,984	665,000	3.80	49,815	200,000
2027	4.00	143,449	695,000	3.90	41,920	210,000
2028	4.10	114,583	730,000	4.00	33,425	220,000
2029	4.13	83,840	765,000	4.05	24,367	230,000
2030	4.13	51,562	1,650,000	4.20	14,790	475,000
		<u>\$ 4,306,556</u>	<u>10,000,000</u>		<u>\$ 1,323,481</u>	<u>3,000,000</u>

Year Ending June 30	Revenue Bonds of April 2, 2012			Total	
	Interest Rates	Interest	Principal	Interest	Principal
2013		\$ 109,670	-	\$ 622,560	1,360,000
2014		146,770	-	637,311	455,000
2015		146,770	-	624,311	845,000
2016		146,770	-	603,886	1,005,000
2017		143,770	-	580,537	940,000
2018		143,770	-	557,346	970,000
2019	1.30	144,202	395,000	533,945	1,070,000
2020	1.60	138,435	400,000	509,871	1,095,000
2021	1.90	131,388	405,000	483,293	1,120,000
2022	2.10	123,182	415,000	453,450	1,160,000
2023	2.25	114,044	425,000	420,418	1,195,000
2024	2.35	104,151	435,000	384,332	1,235,000
2025	2.55	93,366	445,000	344,728	1,280,000
2026	2.60	81,713	460,000	301,512	1,325,000
2027	2.70	69,387	470,000	254,756	1,375,000
2028	2.80	56,253	485,000	204,261	1,435,000
2029	3.00	41,962	500,000	150,169	1,495,000
2030	3.05	26,609	1,120,000	92,961	3,245,000
		<u>\$ 1,962,212</u>	<u>5,955,000</u>	<u>\$ 7,759,647</u>	<u>22,605,000</u>

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

## 5. LONG-TERM LIABILITIES - CONTINUED

### Revenue Bonds - Continued

The District has pledged future statewide sales, services and use tax revenues to repay School Infrastructure Sales, Services and Use Tax Revenue Bonds totaling \$24,185,000 issued in December 2006, July 2011 and April 2012. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and to refund School Infrastructure Sales, Services and Use Tax Revenue Bonds issued in December 2006. 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. Annual principal and interest payments on the bonds are expected to require less than 75% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$22,605,000. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$713,896 and \$1,005,840, respectively.

A portion of the \$5,955,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds issued in April 2012, with interest rates ranging from 1.30% to 3.10%, was issued for a crossover refunding of a portion of the School Infrastructure Sales, Services and Use Tax Revenue Bonds issued in December 2006. The District entered in to an escrow agreement whereby a portion of the proceeds from the School Infrastructure Sales, Services and Use Tax Revenue 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 \$925,000 principal on the refunded School Infrastructure Sales, Services and Use Tax Revenue Bonds when they become callable on July 1, 2012. 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 \$34,200 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$34,000.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

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

Revenue Bonds - Continued

The resolution providing for the issuance of the statewide sales, services and use 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.
- (b) \$1,856,424 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 statewide sales, services and use tax shall be placed in a revenue account.
- (d) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (e) 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.

**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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$1,710,965, \$1,421,057, and \$1,404,643 respectively, equal to the required contributions for each year.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

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.

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, 2012, 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>(360,000)</u>
Decrease in net OPEB obligation	(77,000)
Net OPEB obligation beginning of year	<u>554,000</u>
Net OPEB obligation end of year	<u>\$ 477,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

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

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, 2012.

For the year ended June 30, 2012, the District contributed \$360,000 to the medical plan. Plan members eligible for benefits contributed \$169,138, or 47% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 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
June 30, 2012	283,000	127.21%	477,000

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, 2012, 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 \$18,325,000, and the ratio of the UAAL to covered payroll was 15.60%. As of June 30, 2012, there were no trust fund assets.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

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

### Actuarial Methods and Assumptions-

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

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

As of the July 1, 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.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2012

**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, 2012 were \$179,984.

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

**9. CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 4,267
Gifted and Talented	21,997
Returning dropout and dropout prevention program	102,910
Teacher salary supplement	3,708
Professional development for model core curriculum	13,835
Total	<u>\$ 146,717</u>

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements - Continued June 30, 2012

#### 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 \$1,152,740 for the year ended June 30, 2012 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 \$17,168,695 for engineering and construction related to high school science classroom renovations, middle school addition and renovations and various roof improvements. At June 30, 2012, \$15,276,117 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the projects progress.

#### 12. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 65 Items Previously Reported as Assets and Liabilities, was implemented during the year ended June 30, 2012. As a result, the June 30, 2011 Governmental Activities net asset balance on Exhibit B, Statement of Activities, was reduced by \$165,358 to retrospectively adjust for debt issuance costs that had not previously been expensed.

**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, 2012

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts		
Local sources	\$ 19,984,277	2,318,087
State sources	19,946,238	11,659
Federal sources	<u>1,284,241</u>	<u>530,091</u>
Total receipts	<u>41,214,756</u>	<u>2,859,837</u>
Disbursements		
Instruction	21,169,146	-
Support services	9,922,412	-
Non-instructional programs	-	2,578,499
Other expenditures	<u>25,023,118</u>	<u>283,173</u>
Total disbursements	<u>56,114,676</u>	<u>2,861,672</u>
Excess (deficiency) of receipts over (under) disbursements	(14,899,920)	(1,835)
Other financing sources, net	<u>22,734,684</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	7,834,764	(1,835)
Balance, beginning of year	<u>12,277,886</u>	<u>461,728</u>
Balance, end of year	<u>\$ 20,112,650</u>	<u>459,893</u>

See accompanying independent auditor's report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
-	22,302,364	20,375,918	20,375,918	1,926,446
-	19,957,897	20,114,147	20,114,147	(156,250)
-	1,814,332	1,982,556	1,982,556	(168,224)
-	<u>44,074,593</u>	<u>42,472,621</u>	<u>42,472,621</u>	<u>1,601,972</u>
-	21,169,146	23,376,972	23,376,972	2,207,826
245,491	10,167,903	9,225,080	11,000,000	832,097
(245,491)	2,333,008	3,085,987	3,085,987	752,979
-	<u>25,306,291</u>	<u>21,299,939</u>	<u>35,000,000</u>	<u>9,693,709</u>
-	<u>58,976,348</u>	<u>56,987,978</u>	<u>72,462,959</u>	<u>13,486,611</u>
-	(14,901,755)	(14,515,357)	(29,990,338)	15,088,583
-	<u>22,734,684</u>	<u>15,240,000</u>	<u>15,240,000</u>	<u>7,494,684</u>
-	7,832,929	724,643	(14,750,338)	22,583,267
-	<u>12,739,614</u>	<u>7,643,373</u>	<u>7,643,373</u>	<u>5,096,241</u>
-	<u>20,572,543</u>	<u>8,368,016</u>	<u>(7,106,965)</u>	<u>27,679,508</u>

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2012

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 \$15,474,981.

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%
2012	July 1, 2010	-	2,859	2,859	0.00%	18,325	15.60%

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.

**SUPPLEMENTARY INFORMATION**

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 279,554	256,141	535,695
Receivables:			
Property tax:			
Current year delinquent	4,505	-	4,505
Succeeding year	750,000	-	750,000
Accounts	-	11,428	11,428
Due from other governments	-	80	80
<b>Total assets</b>	<b>\$ 1,034,059</b>	<b>267,649</b>	<b>1,301,708</b>
<b>LIABILITIES &amp; FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	53,364	53,364
Salaries and benefits payable	-	2,495	2,495
Deferred revenue:			
Succeeding year property tax	750,000	-	750,000
<b>Total liabilities</b>	<b>750,000</b>	<b>55,859</b>	<b>805,859</b>
<b>Fund balances</b>			
<b>Restricted for:</b>			
Management levy purposes	284,059	-	284,059
Student activities	-	211,790	211,790
<b>Total fund balances</b>	<b>284,059</b>	<b>211,790</b>	<b>495,849</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,034,059</b>	<b>267,649</b>	<b>1,301,708</b>

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, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 590,783	-	590,783
Other	37,986	572,902	610,888
State sources	351	-	351
Total revenues	<u>629,120</u>	<u>572,902</u>	<u>1,202,022</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	431,247	-	431,247
Co-curricular program instruction	-	587,051	587,051
Support services:			
Building administration services	-	-	-
Operation and maintainance of plant services	147,504	-	147,504
Transportation services	29,605	-	29,605
Total expenditures	<u>608,356</u>	<u>587,051</u>	<u>1,195,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,764</u>	<u>(14,149)</u>	<u>6,615</u>
Other financing (uses):			
Interfund transfers	-	47	47
Net change in fund balances	20,764	(14,102)	6,662
Fund balances beginning of year	<u>263,295</u>	<u>225,892</u>	<u>489,187</u>
Fund balances end of year	<u>\$ 284,059</u>	<u>211,790</u>	<u>495,849</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Balance Sheet  
Capital Project Accounts  
June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,946,799	277,343	5,224,142
Receivables:			
Property tax:			
Current year delinquent	-	9,073	9,073
Succeeding year	-	1,271,274	1,271,274
Due from other governments	<u>1,370,480</u>	<u>-</u>	<u>1,370,480</u>
 Total assets	 <u>\$ 6,317,279</u>	 <u>1,557,690</u>	 <u>7,874,969</u>
<b>LIABILITIES &amp; FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 792,257	218,718	1,010,975
Excess of warrants over bank balance	-	-	-
Other payables	-	-	-
Deferred revenue:			
Succeeding year property tax	-	1,271,274	1,271,274
Total liabilities	<u>792,257</u>	<u>1,489,992</u>	<u>2,282,249</u>
Fund balances:			
Restricted for:			
School infrastructure	5,525,022	-	5,525,022
Physical plant and equipment	-	67,698	67,698
Total fund balances	<u>5,525,022</u>	<u>67,698</u>	<u>5,592,720</u>
 Total liabilities and fund balances	 <u>\$ 6,317,279</u>	 <u>1,557,690</u>	 <u>7,874,969</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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,005,840	1,196,010	2,201,850
Other	1,501,527	38	1,501,565
State sources	<u>1,567,956</u>	<u>681</u>	<u>1,568,637</u>
Total revenues	<u>4,075,323</u>	<u>1,196,729</u>	<u>5,272,052</u>
Expenditures:			
Current:			
Support services:			
Instructional staff support services	390,080	-	390,080
Operation and maintenance of plant services	-	98,932	98,932
Central services	19,306	-	19,306
Other expenditures:			
Facilities acquisition and construction	<u>14,720,290</u>	<u>1,348,570</u>	<u>16,068,860</u>
Total expenditures	<u>15,129,676</u>	<u>1,447,502</u>	<u>16,577,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,054,353)</u>	<u>(250,773)</u>	<u>(11,305,126)</u>
Other financing (uses):			
Refunding note proceeds, net of discount	21,120,781	-	21,120,781
Gain on impairment of assets	-	-	-
Interfund transfers	<u>(4,961,782)</u>	<u>-</u>	<u>(4,961,782)</u>
	<u>16,158,999</u>	<u>-</u>	<u>16,158,999</u>
Net change in fund balances	5,104,646	(250,773)	4,853,873
Fund balances beginning of year	<u>420,376</u>	<u>318,471</u>	<u>738,847</u>
Fund balances end of year	<u>\$ 5,525,022</u>	<u>67,698</u>	<u>5,592,720</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Balance Sheet  
 Nonmajor Proprietary Funds  
 June 30, 2012

	Child Care	Home Building	Total
Assets			
Cash and pooled investments	\$ 38,131	103,312	141,443
Accounts receivable	29,227	-	29,227
Inventory	-	-	-
<b>Total assets</b>	<b>\$ 67,358</b>	<b>103,312</b>	<b>170,670</b>
Liabilities & Net Assets			
Liabilities:			
Accounts payable	\$ 14,326	-	14,326
Salaries and benefits payable	97,998	-	97,998
Compensated absences	2,438	-	2,438
Interfund	-	-	-
<b>Total liabilities</b>	<b>114,762</b>	<b>-</b>	<b>114,762</b>
Net assets:			
Unrestricted	(47,404)	103,312	55,908
<b>Total liabilities and net assets</b>	<b>\$ 67,358</b>	<b>103,312</b>	<b>170,670</b>

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, 2012

	Child Care	Home Building	Total
Operating revenue:			
Other local sources:			
Charges for services	\$ 1,041,125	-	1,041,125
Sale of property	-	251,000	251,000
Miscellaneous	9,120	-	9,120
Total operating revenue	<u>1,050,245</u>	<u>251,000</u>	<u>1,301,245</u>
Operating expenses:			
Non-instructional programs:			
Community service operations			
Salaries	653,667	-	653,667
Benefits	130,850	-	130,850
Purchased services	234,614	-	234,614
Supplies	48,148	-	48,148
Other expenditures:			
Property	-	283,173	283,173
Total operating expenses	<u>1,067,279</u>	<u>283,173</u>	<u>1,350,452</u>
Operating income	<u>(17,034)</u>	<u>(32,173)</u>	<u>(49,207)</u>
Non-operating revenues (expenses):			
Transfer to general fund	-	(2,782)	(2,782)
Federal sources	4,395	-	4,395
Interest income	9	-	9
Change in net assets	(12,630)	(34,955)	(47,585)
Net assets, beginning of year	<u>(34,774)</u>	<u>138,267</u>	<u>103,493</u>
Net assets, end of year	<u>\$ (47,404)</u>	<u>103,312</u>	<u>55,908</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, 2012

	<u>Child Care</u>	<u>Home Building</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received for child care fees	\$ 1,022,223	-	1,022,223
Cash received for sale of property	-	251,000	251,000
Cash payments to employees for services	(778,652)	-	(778,652)
Cash payments to suppliers for goods and services	(277,330)	(283,395)	(560,725)
Net cash provided by operating activities	<u>(33,759)</u>	<u>(32,395)</u>	<u>(66,154)</u>
Cash flows from non-capital financing activities:			
Payback to general fund	(14,411)	(127,260)	(141,671)
Federal grants received	4,395	-	4,395
Net cash provided by (used in) non-capital financing activities	<u>(10,016)</u>	<u>(127,260)</u>	<u>(137,276)</u>
Cash flows from capital and related financing activities			
Net change in capital assets	-	262,967	262,967
Cash flows from investing activities			
Interest on investments	9	-	9
Net increase in cash and cash equivalents	(43,766)	103,312	59,546
Cash and cash equivalents, beginning of year	81,897	-	81,897
Cash and cash equivalents, end of year	<u>\$ 38,131</u>	<u>103,312</u>	<u>141,443</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (17,034)	(32,173)	(49,207)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Increase in accounts receivable	(28,022)	-	(28,022)
Increase (decrease) in accounts payable	5,432	(81)	5,351
Increase (decrease) in salaries and benefits payable	5,865	(141)	5,724
Net cash provided by (used in) operating activities	<u>\$ (33,759)</u>	<u>(32,395)</u>	<u>(66,154)</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, 2012

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
High School Drama	\$ 4,516	11,223	9,632	-	6,107
Middle School Drama	5,251	3,007	3,003	-	5,255
High School Show Choir	10,542	338	8,017	4,300	7,163
High School Chorus	14,384	14,783	21,017	-	8,150
Middle School Swing Choir	1,295	12,536	18,749	4,918	-
High School JV Show Choir	7,503	-	4,083	4,000	7,420
High School Sidewayz Show Choir	1,600	-	1,851	4,000	3,749
High School Instrumental Music	2,963	5,455	3,123	8,000	13,295
High School Orchestra	3,747	2,108	1,922	-	3,933
High School Athletics	38,485	248,312	246,140	(300)	40,357
Middle School Athletics	5,372	27,404	21,241	-	11,535
Middle School Yearbook	3,246	13,233	10,996	-	5,483
Middle School Student Council	-	-	1,354	1,354	-
High School Student Council	2,245	1,852	2,066	-	2,031
High School Debate	125	11,535	10,094	-	1,566
High School Cheerleaders	2,924	39,808	41,214	-	1,518
High School Drill Team	4,706	12,827	19,491	1,958	-
Future Farmers of America	22,614	47,207	61,683	-	8,138
Family, Career and Community					
Leaders of America	168	6,060	5,285	-	943
High School Art Club	1,225	971	934	-	1,262
High School Auditorium Club	1,585	1,335	1,007	-	1,913
FFA Steer Show	5,384	1,319	601	-	6,102
High School National Honor Society	801	410	806	-	405
High School Art Club Beverage	175	172	100	-	247
High School Math Club	175	315	242	-	248
High School Science Club	642	572	825	-	389
German Club	2,028	1,439	1,858	-	1,609
Spanish Club	711	2,690	2,231	-	1,170
French Club	58	2,057	3,107	999	7
Service Corp	-	434	134	-	300
Middle School Vending Account	865	375	270	-	970
Middle School Account	26,418	25,926	22,871	(6,272)	23,201
Whittier School Account	13,655	3,773	880	-	16,548
Learning Center	5,189	250	2,766	-	2,673
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, 2012

Account	Beginning of Year	and Transfers In	and Transfers Out	Intrafund Transfer	End of Year
FFA Greenhouse	260	-	-	-	260
Emerson Library/Media	5,209	5,020	8,342	-	1,887
Emerson General Account	5,679	1,499	3,341	-	3,837
Class of 2012	1,701	-	-	(1,701)	-
Class of 2013	-	15,709	15,695	1,701	1,715
Emerson Mini Olympics	55	-	-	-	55
Middle School Book Fair	-	1,367	1,365	-	2
High School Administrative	17,624	9,398	10,649	(2,957)	13,416
High School Best Buddies	650	-	-	-	650
High School Jazz Encounter	635	38,347	18,066	(20,000)	916
Middle School Special Projects	3,178	1,883	-	-	5,061
<b>Total</b>	<b>\$ 225,892</b>	<b>572,949</b>	<b>587,051</b>	<b>-</b>	<b>211,790</b>

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, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 28,439	82,582	25,310	85,711
Other receivables	<u>3,435</u>	<u>1,125</u>	<u>3,435</u>	<u>1,125</u>
 Total assets	 <u>\$ 31,874</u>	 <u>83,707</u>	 <u>28,745</u>	 <u>86,836</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 1,271	6,564	1,271	6,564
Other payables	30,603	80,272	30,603	80,272
 Total Liabilities	 <u>\$ 31,874</u>	 <u>86,836</u>	 <u>31,874</u>	 <u>86,836</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,		
	2012	2011	2010
<b>Revenues</b>			
Local sources:			
Local tax	\$ 16,272,632	15,686,663	15,912,184
Tuition	1,116,534	1,016,926	1,011,388
Other	2,595,111	1,230,449	991,187
State sources	19,946,238	18,652,521	15,151,996
Federal sources	1,284,241	894,923	2,542,693
Total revenues	<u>\$ 41,214,756</u>	<u>37,481,482</u>	<u>35,609,448</u>
<b>Expenditures</b>			
Instruction:			
Regular instruction	\$ 12,921,543	13,461,045	13,839,320
Special education instruction	3,347,962	3,146,884	3,094,278
Vocational instruction	569,254	378,948	435,164
Other instruction	1,926,236	1,694,776	1,512,691
Co-curricular instruction	2,094,254	2,055,977	1,937,834
Support services:			
Student support services	793,789	774,264	630,106
Instructional staff support services	1,927,363	1,422,602	1,203,729
General administration services	459,562	431,163	451,624
Building administration services	1,606,774	1,538,670	1,553,884
Operation and maintenance of plant services	3,257,797	3,117,756	2,993,129
Transportation services	1,038,932	1,161,328	1,080,749
Central services	838,195	786,329	726,883
Community service and education operations	-	-	-
Other expenditures:			
Non-instructional programs	-	-	-
Facilities acquisition and construction	16,068,860	2,181,948	3,011,321
Long-term debt:			
Principal	6,340,000	1,690,000	1,630,000
Interest and fiscal charges	1,461,518	1,276,368	1,190,515
AEA flowthrough	1,152,740	1,260,384	1,251,043
Total expenditures	<u>\$ 55,804,779</u>	<u>36,378,442</u>	<u>36,542,270</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
15,368,754	13,459,352	12,508,329	11,556,719	11,155,297	9,453,400
941,459	895,250	913,613	931,222	826,287	779,808
1,145,629	1,604,330	1,496,556	1,146,837	865,680	909,707
16,701,504	16,972,267	15,386,976	14,155,617	13,333,031	12,856,297
756,064	506,357	495,465	551,291	588,488	739,403
<u>34,913,410</u>	<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>
13,713,558	12,040,987	11,116,935	10,032,807	9,463,862	9,350,313
3,147,483	2,924,952	2,837,181	3,003,149	3,832,301	3,527,195
422,441	641,745	623,506	554,621	519,396	545,547
1,196,142	731,463	694,564	789,122	-	-
1,881,048	1,777,852	1,690,543	1,588,161	1,144,129	873,111
668,175	898,831	927,896	856,960	766,361	748,148
1,446,168	1,055,649	854,681	712,607	1,029,274	1,074,293
435,795	375,229	328,704	359,662	366,159	258,592
1,613,016	1,428,637	1,401,617	1,301,947	1,225,589	1,301,109
3,026,383	2,687,036	2,564,729	2,641,965	2,438,104	2,416,306
1,316,868	1,009,201	1,413,983	1,157,978	1,131,558	766,648
771,858	611,214	653,393	585,305	587,773	498,009
-	-	-	-	-	5,000
-	-	-	34,770	23,035	-
6,153,495	11,029,613	3,405,635	2,083,922	1,247,877	3,277,738
4,620,000	1,805,000	2,486,458	2,041,464	1,161,464	1,091,464
1,343,789	1,412,907	806,177	879,809	981,063	1,017,459
1,111,247	1,072,459	992,321	905,900	859,417	848,257
<u>42,867,466</u>	<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, 2012

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	\$ 53,810
National School Lunch Program	10.555	FY11	386,502
National School Lunch Program - USDA Commodities (non-cash)	10.555	FY11	<u>85,284</u>
			<u>525,596</u>
Child and Adult Care Food Program	10.558	FY11	1,983
Team Nutrition Grant	10.574	FY11	<u>200</u>
			<u>527,779</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	240,572
Education Jobs Fund	84.410	FY11	647,025
Improving Teacher Quality State Grants (Title II)	84.367	FY11	75,237
English Language Acquisition Grants (Title III)	84.365	FY11	791
Grants for State Assessments and Related Activities (Title VI)	84.369	FY11	21,704
Career and Technical Education - Basic Grants to States	84.048	FY11	23,283
Advanced Placement Program	84.330	FY11	231
Special Education Improvement Grants	84.323	FY11	288
Gear Up Iowa	84.334	FY11	1,738
Heartland Area Education Agency:			
Special Education - Grants to States (Individuals with Disabilities Education Act, Part B)	84.027	FY11	<u>163,495</u>
			<u>1,174,364</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 11  
(Continued)

Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

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	2,413
AIDS Education	93.938	FY11	238
			<u>2,651</u>
			<u>\$ 1,704,794</u>

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

See accompanying independent auditor's report.



# Shull and Co. P.C.

certified public accountants

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

To the Board of Education of the  
Indianola Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Indianola Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2012. 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

The management of the Indianola Community School District is responsible for establishing and maintaining effective 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 an 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.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Shull & Co. P.C.*

November 30, 2012



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 Indianola Community School District compliance 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, 2012. 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, 2012.

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

November 30, 2012

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**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:
  - CFDA Number 84.410 - Education Jobs Fund
  - Child Nutrition cluster:
    - 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, 2012

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

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amended certified budget.

IV-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-12 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-12 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.

IV-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2012

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

- IV-I-12 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-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-12 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-12 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, 2012, 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, 2012

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

IV-L-12 Statewide Sales and Services Tax - Continued

Beginning balance		\$	420,376
Revenues/transfers in:			
Statewide sales and services tax revenue	\$	1,005,840	
School infrastructure supplemental amount		1,567,956	
Investment earnings		527	
Donations		1,501,000	
Refunding note proceeds, net of discount		<u>21,120,781</u>	25,196,104
Expenditures/transfers out:			
School infrastructure:			
Land Purchased	\$	56,500	
Buildings construction and improvements		14,256,443	
Equipment		785,218	
Other		31,515	
Transfers to debt service for school infrastructure:			
General obligation debt		250,000	
Revenue debt		<u>4,711,782</u>	<u>20,091,458</u>
Ending balance			<u>5,525,022</u>

For the year ended June 30, 2012, 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-12 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.