

**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, 2015**



**Shull, Schrum, McClafin  
& Co., Inc.**  
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>		
Carolyn Langenwalter	President	2017
Darrin Johnson	Board Member	2017
Mark Tucker	Board Member	2017
Chris Goodale	Board Member	2015
Darren Heater	Board Member	2015
Scott Gray	Board Member	2015
Kurt Lickiss	Board Member	2015
<b>School Officials</b>		
Dr. Art Sathoff	Superintendent	2015
Darcy Moeller	District Secretary/Treasurer	2015
Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee, P.C.	Attorney	2015



# Shull, Schrum, McClafin & Co., Inc.

certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Indianola Community School District

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Indianola Community School District, Indianola Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting principles of the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards of 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Osceola, Iowa 50213  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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 the Indianola Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the generally accepted accounting principles of the United States of America.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Indianola Community School District adopted new accounting guidance related to Governmental Accounting standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 16 and 60 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Indianola Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financials. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Indianola Community School District's internal control over financial reporting and compliance.

*Stull, Schrum, McClellan & Co., Inc.*

December 18, 2015

## **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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

General Fund

- The state legislature approved a 4% increase to the 2014-15 district cost per pupil – an increase of \$245 per pupil from \$6,121 to \$6,366.
- The 2014-15 budget enrollment (October 2013 head count) was 3,402.8—a decrease of 6.6 students. In 2014-15, the Indianola Community School District was the 27<sup>th</sup> largest Iowa school district out of 338 districts.
- The 2014-15 package settlement was 4.00% with the Indianola Education Association. The statewide average settlement was 3.67%. Comparable increases were provided to most other staff groups.
- The unassigned general fund balance decreased from \$6,091,282 in 2013-14 to \$5,696,183 in 2014-15.
- The solvency ratio decreased from 18.92% in 2013-14 to 17.72% in 2014-15. 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 decreased from \$6,578,207 to \$6,541,486.
- The 2014-15 special education deficit increased from \$485,426 to \$652,755.
- Total 2014-15 taxable valuation of the district increased by 3.48%.

Other

- The overall tax levy rate increased from \$17.66422/\$1,000 to \$19.13515 of assessed valuation.
- Total net assets of the district decreased from \$37,691,782 to \$22,987,976.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *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.

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

- 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 Government-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 position for the year ended June 30, 2015 compared to June 30, 2014.

Condensed Statement of Net Position

	Governmental		Business-type		Total		Total
	Activities		Activities		District		% Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(not restated)		(not restated)		(not restated)	
Current and other assets	\$ 42,107	47,917	455	397	42,562	48,314	(11.9)
Capital assets	86,143	71,766	80	90	86,223	71,856	20.0
Total assets	128,250	119,683	535	487	128,785	120,170	7.2
Deferred outflows of resources	2,933	-	132	-	3,065	-	100.0
Long-term liabilities	78,939	59,039	640	-	79,579	59,039	34.8
Other liabilities	7,746	7,855	121	123	7,867	7,978	(1.4)
Total liabilities	86,685	66,894	761	123	87,446	67,017	30.5
Deferred inflows of resources	21,185	15,462	231	-	21,416	15,462	38.5
Net position:							
Net investment in capital assets	21,430	13,333	80	90	21,510	13,423	60.2
Restricted	3,827	3,501	-	-	3,827	3,501	9.3
Unrestricted	(1,944)	20,493	(405)	274	(2,349)	20,767	(111.3)
Total net position	\$ 23,313	37,327	(325)	364	22,988	37,691	(39.0)

The District's combined net position increased by 7.2%, or \$128,785,235 over the prior year. The largest portion of the District's net position 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 \$14,703,806, or 39.0% over the prior year.
- Restricted net position 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 \$325,877 over the prior year.

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

The following schedule shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

	Changes in Net Position							
	Governmental		Business-type		Total		Total	
	Activities		Activities		District		% Change	
	June 30,		June 30,		June 30,		June 30,	
	2015	2014	2015	2014	2015	2014	2014-2015	
	(not restated)		(not restated)		(not restated)			
<b>Revenues</b>								
<b>Program revenues</b>								
Charges for service	\$ 2,240	2,188	1,939	1,982	4,179	4,170	0.2	
Operating grants, contributions and restricted interest	4,868	5,179	636	620	5,504	5,799	(96.6)	
Capital grants, contributions and restricted interest	1	29	-	-	1	29	9.8	
							5.9	
<b>General revenues</b>								
Property tax	15,718	14,320	-	-	15,718	14,320	3.8	
Local option sales and services tax	3,161	2,986	-	-	3,161	2,986	46.7	
Unrestricted state grants	16,683	16,078	-	-	16,683	16,078	3.8	
Unrestricted interest on investment	22	15	-	-	22	15	46.7	
Other general receipts	196	135	-	-	196	135	45.2	
<b>Total revenues</b>	<b>42,889</b>	<b>40,930</b>	<b>2,575</b>	<b>2,602</b>	<b>45,464</b>	<b>43,532</b>	<b>4.4</b>	
<b>Program expenses</b>								
Instruction	25,314	25,013	-	-	25,314	25,013	1.2	
Support services	10,800	11,709	-	-	10,800	11,709	(7.8)	
Non-instructional programs	-	-	2,500	2,579	2,500	2,579	(3.1)	
Other expenses	4,143	3,799	-	-	4,143	3,799	9.1	
<b>Total expenses</b>	<b>40,257</b>	<b>40,521</b>	<b>2,500</b>	<b>2,579</b>	<b>42,757</b>	<b>43,100</b>	<b>(0.8)</b>	
Change in net position	2,632	409	75	23	2,707	432	526.6	
Net position beginning of year,								
as restated	20,681	36,918	(400)	342	20,281	37,260	(45.6)	
<b>Net position end of year</b>	<b>\$ 23,313</b>	<b>37,327</b>	<b>(325)</b>	<b>365</b>	<b>22,988</b>	<b>37,692</b>	<b>(39.0)</b>	

Property tax, local option sales and services tax, unrestricted state grants, unrestricted interest on investments and other general fund receipts account for 83% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

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

**Governmental Activities**

Revenues for governmental activities were \$42,889,523 and expenses were \$40,257,105.

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.

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2015	2014 (not restated)	Change % 2014-2015	2015	2014 (not restated)	Change % 2014-2015
Instruction	\$ 25,314	25,013	1.2	19,663	19,094	3.0
Support services	10,800	11,709	(7.8)	10,680	11,548	(7.5)
Non-instructional programs	-	-	1.0	-	-	-
Other expenses	4,143	3,799	9.1	2,806	2,483	13.0
Totals	<u>\$ 40,257</u>	<u>40,521</u>	<u>(0.7)</u>	<u>33,149</u>	<u>33,125</u>	<u>0.1</u>

**Business-Type Activities**

Revenues of the District's business-type activity were \$2,575,101 and expenses were \$2,499,957. 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 \$23,312,892; a decrease from last year's ending fund balances of \$37,327,048.

**Governmental Fund Highlights**

The District's General Fund financial position is the product of many factors. The overall general fund balance decreased by \$452,010.

The Governmental Funds include a \$2,874,488 fund balance from the Statewide Sales Tax. This was the tenth year that the district collected revenues from the Statewide Sales Tax.

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

**Business-Type Fund Highlight**

The School Nutrition Fund net assets decreased from \$295,613 to (\$101,374) as restated due to recording pension liabilities as required by GASB No. 68.

**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 2015, the District had invested \$86.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, and transportation equipment. (See Schedule below) This amount represents a net increase of 20.0% 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,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 1,845	1,767	-	-	1,845	1,767	4.4
Construction in progress	8,569	5,763	-	-	8,569	5,763	48.7
Buildings	66,013	55,242	-	-	66,013	55,242	19.5
Improvements other than buildings	5,129	4,098	-	-	5,129	4,098	25.2
Furniture and equipment	4,587	4,896	80	90	4,667	4,986	(6.4)
Total	<u>\$ 86,143</u>	<u>71,766</u>	<u>80</u>	<u>90</u>	<u>86,223</u>	<u>71,856</u>	<u>20.0</u>

**Long-Term Debt**

At year-end, the district had \$64,713,000 in general obligation debt and other long-term debt outstanding. This represents an increase of \$6,280,000 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,
	2015	2014	2014-2015
General obligation bonds	\$ 44,785	37,850	18.3
Premium/(Discount)	(19)	(170)	(88.8)
Revenue Bonds	19,945	20,790	(4.1)
Premium (Discount)	2	(37)	(105.4)
Total assets	<u>\$ 64,713</u>	<u>58,433</u>	<u>10.7</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:

- The Iowa legislature approved 1.25% allowable growth for the 2015-16 fiscal year. The 2016-17 allowable growth has not been set.
- The 2016-17 budget enrollment (October 2015 head count) increased by 41.16 students to 3,471.45.

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

- The 2015-16 overall tax rate increased from \$19.14 to \$19.29/\$1,000 of assessed valuation.
- For 2015-16, the District settlement with the Indianola Education Association was 3.30%. The statewide average settlement was 3.31%. Similar package settlements were provided to most other employee groups.
- The Indianola School District has approval to levy up to 10% through the Instructional Support Level (ISL) through the 2016-17 fiscal year and the maximum Physical Plant and Equipment Levy (PPEL) through the 2018-19 fiscal year. In September 2015, the board extended the ISL five more year through board resolution.
- In September 2015, four new school Board members were elected. The four incumbents did not seek reelection.
- School Business Manager Darcy Moeller retired on September 30, 2015. New School Business Official Johna Clancy was hired effective August 1, 2015.

**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 Johna Clancy, School Business Official, 1304 East 2<sup>nd</sup> Avenue, Indianola, IA 50125.

**BASIC FINANCIAL STATEMENTS**

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 24,912,964	307,184	25,220,148
Receivables:			
Property tax:			
Delinquent	82,244	-	82,244
Succeeding year	15,113,577	-	15,113,577
Accounts	17,556	42,352	59,908
Due from other governments	1,907,186	-	1,907,186
Prepaid expense	73,704	5,621	79,325
Inventories	-	99,579	99,579
Capital assets, net of accumulated depreciation	<u>86,143,090</u>	<u>80,178</u>	<u>86,223,268</u>
 Total assets	 <u>128,250,321</u>	 <u>534,914</u>	 <u>128,785,235</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>2,932,350</u>	<u>132,341</u>	<u>3,064,691</u>
Liabilities			
Accounts payable	3,792,324	12,695	3,805,019
Salaries and benefits payable	3,531,680	108,401	3,640,081
Accrued interest payable	422,099	-	422,099

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit A  
(Continued)

Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities (Continued)			
Long-term liabilities:			
Portion due within one year:			
Bonds payable	1,855,000	-	1,855,000
Revenue Bonds	1,005,000	-	1,005,000
Compensated absences	80,781	-	80,781
Portion due after one year:			
Bonds payable (net of unamortized premium/discounts)	42,910,377	-	42,910,377
Revenue bonds payable (net of unamortized premium/discount)	18,942,470	-	18,942,470
Net pension liability	13,444,393	607,022	14,051,415
Net other post employment benefits liability	700,877	32,553	733,430
Total liabilities	<u>86,685,001</u>	<u>760,671</u>	<u>87,445,672</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	15,113,577	-	15,113,577
Unavailable income surtax revenue	943,896	-	943,896
Pension related deferred inflows	5,127,305	231,500	5,358,805
Total deferred inflows of resources	<u>21,184,778</u>	<u>231,500</u>	<u>21,416,278</u>
Net position			
Net investment in capital assets	21,430,243	80,178	21,510,421
Restricted for:			
Categorical funding	137,480	-	137,480
Management levy purposes	1,162,799	-	1,162,799
Physical plant and equipment	1,044,257	-	1,044,257
Student activities	169,029	-	169,029
Debt service	1,312,931	-	1,312,931
Unrestricted	<u>(1,943,847)</u>	<u>(405,094)</u>	<u>(2,348,941)</u>
Total net position	<u>\$ 23,312,892</u>	<u>(324,916)</u>	<u>22,987,976</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities  
June 30, 2015

	Expenses	Charges for Service	Program Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$15,916,451	1,366,871	2,038,917
Special education instruction	3,815,792	210,591	652,575
Vocational instruction	580,007	-	27,853
Other instruction	2,135,856	-	308,383
Community service programs	377,628	-	391,509
Co-curricular instruction	2,488,297	634,003	20,077
	25,314,031	2,211,465	3,439,314
Support services:			
Student support services	963,331	-	-
Instructional staff support services	1,601,058	-	92,482
General administration services	476,284	-	-
Building administration services	1,828,206	-	-
Operation and maintenance of plant services	3,685,632	23,918	-
Transportation services	1,286,638	4,473	-
Central services	959,082	-	-
	10,800,231	28,391	92,482
Other expenditures:			
Facilities acquisition	351,823	-	-
Long-term debt:			
Interest and fiscal charges	2,004,815	-	-
AEA flowthrough	1,335,899	-	1,335,899
Depreciation (unallocated)*	450,306	-	-
	4,142,843	-	1,335,899
Total governmental activities	40,257,105	2,239,856	4,867,695

Revenues Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
-	(12,510,663)	-	(12,510,663)
-	(2,952,626)	-	(2,952,626)
-	(552,154)	-	(552,154)
-	(1,827,473)	-	(1,827,473)
-	13,881	-	13,881
-	(1,834,217)	-	(1,834,217)
-	(19,663,252)	-	(19,663,252)
-	(963,331)	-	(963,331)
-	(1,508,576)	-	(1,508,576)
-	(476,284)	-	(476,284)
-	(1,828,206)	-	(1,828,206)
-	(3,661,714)	-	(3,661,714)
-	(1,282,165)	-	(1,282,165)
-	(959,082)	-	(959,082)
-	(10,679,358)	-	(10,679,358)
781	(351,042)	-	(351,042)
-	(2,004,815)	-	(2,004,815)
-	-	-	-
-	(450,306)	-	(450,306)
781	(2,806,163)	-	(2,806,163)
781	(33,148,773)	-	(33,148,773)

INDIANOLA COMMUNITY SCHOOL DISTRICT

Statement of Activities  
June 30, 2015

	<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 program	1,566,180	989,564	625,300
Child care services	933,777	948,998	11,239
Total business-type activities	<u>2,499,957</u>	<u>1,938,562</u>	<u>636,539</u>
 Total	 <u>\$ 42,757,062</u>	 <u>4,178,418</u>	 <u>5,504,234</u>
 General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investments earnings			
Other			
 Total general revenues			
 Change in net position			
 Net position beginning of year, as restated			
 Net position end of year			

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

See notes to financial statements.

Exhibit B  
(Continued)

Revenues	Net (Expense) Revenue and Changes in Net Position		
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities	Total
-	-	48,684	48,684
-	-	26,460	26,460
-	-	75,144	75,144
<u>781</u>	<u>(33,148,773)</u>	<u>75,144</u>	<u>(33,073,629)</u>
	10,218,593	-	10,218,593
	4,491,551	-	4,491,551
	1,007,883	-	1,007,883
	3,161,388	-	3,161,388
	16,683,250	-	16,683,250
	22,377	-	22,377
	196,149	-	196,149
	<u>35,781,191</u>	<u>-</u>	<u>35,781,191</u>
	2,632,418	75,144	2,707,562
	<u>20,680,474</u>	<u>(400,060)</u>	<u>20,280,414</u>
	<u>\$ 23,312,892</u>	<u>(324,916)</u>	<u>22,987,976</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2015

Assets	<u>General</u>	<u>Debt Service</u>
Cash, cash equivalents and pooled investments	\$ 8,997,520	1,295,062
Receivables		
Property tax:		
Delinquent	51,366	17,869
Succeeding year	9,435,913	3,318,115
Accounts	15,109	-
Due from other governments	-	-
Income surtax receivable	943,896	-
Prepaid expense	15,521	-
	<u>20,172,289</u>	<u>4,631,046</u>
<b>Total assets</b>	<b>\$ 20,172,289</b>	<b>4,631,046</b>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 427,760	-
Salaries and benefits payable	3,531,057	-
Total liabilities	<u>3,958,817</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable revenues:		
Succeeding year property tax	9,435,913	3,318,115
Income surtax	943,896	-
Total deferred inflows of resources	<u>10,379,809</u>	<u>3,318,115</u>
Fund balances		
Restricted for:		
Categorical funding	137,480	-
Debt service	-	1,312,931
Management levy purposes	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Student activities	-	-
Committed for:		
Capital improvements	-	-
Unassigned	5,696,183	-
Total fund balances	<u>5,833,663</u>	<u>1,312,931</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,172,289</u>	<u>4,631,046</u>

See notes to financial statements.

Exhibit C

Capital Projects	Nonmajor	Total
13,245,846	1,374,536	24,912,964
7,368	5,641	82,244
1,368,210	991,339	15,113,577
-	2,447	17,556
250,266	60	250,326
-	-	943,896
58,183	-	73,704
<u>14,929,873</u>	<u>2,374,023</u>	<u>42,107,231</u>
3,314,331	50,233	3,792,324
-	623	3,531,680
<u>3,314,331</u>	<u>50,856</u>	<u>7,324,004</u>
1,368,210	991,339	15,113,577
-	-	943,896
<u>1,368,210</u>	<u>991,339</u>	<u>16,057,473</u>
-	-	137,480
-	-	1,312,931
-	1,162,799	1,162,799
2,924,421	-	2,924,421
1,044,257	-	1,044,257
-	169,029	169,029
6,278,654	-	6,278,654
-	-	5,696,183
<u>10,247,332</u>	<u>1,331,828</u>	<u>18,725,754</u>
<u>14,929,873</u>	<u>2,374,023</u>	<u>42,107,231</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit D

Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Total fund balances of governmental funds	\$ 18,725,754
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	86,143,090
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.	(422,099)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	2,932,350
Deferred inflows of resources	(5,127,305)
	<u>(2,194,955)</u>
Long-term liabilities, including bonds payable, compensated absences other post retirement benefits and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(78,938,898)</u>
Net position of governmental activities	<u>\$ 23,312,892</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, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues</b>					
Local sources:					
Local tax	\$ 9,993,567	3,192,710	1,316,527	990,196	15,493,000
Tuition	1,351,998	-	-	-	1,351,998
Other	480,786	-	15,718	638,156	1,134,660
State sources	20,800,627	52,726	3,183,129	15,618	24,052,100
Federal sources	842,616	-	-	-	842,616
Total revenues	<u>33,469,594</u>	<u>3,245,436</u>	<u>4,515,374</u>	<u>1,643,970</u>	<u>42,874,374</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular instruction	14,075,428	-	-	442,024	14,517,452
Special education instruction	3,762,172	-	-	-	3,762,172
Vocational instruction	554,595	-	-	-	554,595
Other instruction	2,206,774	-	-	-	2,206,774
Community service programs	388,040	-	-	-	388,040
Co-curricular instruction	1,778,509	-	-	621,290	2,399,799
	<u>22,765,518</u>	<u>-</u>	<u>-</u>	<u>1,063,314</u>	<u>23,828,832</u>
Support services:					
Student support services	897,879	-	-	-	897,879
Instructional staff support services	1,322,041	-	536,751	-	1,858,792
General administration services	465,083	-	12,261	-	477,344
Building administration services	1,756,491	-	-	-	1,756,491
Operation and maintenance of plant services	3,429,169	-	73,215	224,743	3,727,127
Transportation services	1,038,600	-	182,134	30,480	1,251,214
Central services	922,005	36,604	-	-	958,609
	<u>9,831,268</u>	<u>36,604</u>	<u>804,361</u>	<u>255,223</u>	<u>10,927,456</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit E  
(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Expenditures (Continued)					
Other expenditures:					
Facilities acquisition and construction	-	-	17,447,982	-	17,447,982
Long-term debt:					
Principal	-	3,905,000	-	-	3,905,000
Interest and fiscal charges	-	2,057,570	-	-	2,057,570
AEA flowthrough	1,335,899	-	-	-	1,335,899
	<u>1,335,899</u>	<u>5,962,570</u>	<u>17,447,982</u>	<u>-</u>	<u>24,746,451</u>
Total expenditures	<u>33,932,685</u>	<u>5,999,174</u>	<u>18,252,343</u>	<u>1,318,537</u>	<u>59,502,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(463,091)</u>	<u>(2,753,738)</u>	<u>(13,736,969)</u>	<u>325,433</u>	<u>(16,628,365)</u>
Other financing sources (uses)					
Bond proceeds, net of \$97,751 discount	-	-	10,051,526	-	10,051,526
Sale of assets	15,149	-	-	-	15,149
Operating transfers in (out)	<u>(4,068)</u>	<u>1,869,661</u>	<u>(1,869,661)</u>	<u>4,068</u>	<u>-</u>
Total other financing sources (uses)	<u>11,081</u>	<u>1,869,661</u>	<u>8,181,865</u>	<u>4,068</u>	<u>10,066,675</u>
Net change in fund balances	(452,010)	(884,077)	(5,555,104)	329,501	(6,561,690)
Fund balances, beginning of year	<u>6,285,673</u>	<u>2,197,008</u>	<u>15,802,436</u>	<u>1,002,327</u>	<u>25,287,444</u>
Fund balances, end of year	<u>\$ 5,833,663</u>	<u>1,312,931</u>	<u>10,247,332</u>	<u>1,331,828</u>	<u>18,725,754</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, 2015

Net change in fund balances - total governmental funds \$ (6,561,690)

Amounts reported for governmental activities in the Statements of Activities are different because:

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 17,650,689	
Depreciation expense	<u>(3,273,433)</u>	14,377,256

Outlays associated with the issuance of long-term liabilities are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as amortization expense in the Statement of Activities. The amounts of premiums/discounts and amortization expense in the year are as follows:

Bond premiums received	\$ (56,526)	
Amortization of premiums/discounts	<u>(133,343)</u>	(189,869)

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	\$ (9,995,000)	
Repaid	<u>3,905,000</u>	(6,090,000)

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

186,098

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

2,045,662

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, as follows:

Compensated absences	\$ (1,710)	
Pension expense	(1,038,436)	
Other post employment benefits	<u>(94,893)</u>	<u>(1,135,039)</u>

Change in net position of governmental activities \$ 2,632,418

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Position  
 Proprietary Funds  
 June 30, 2015

	School Nutrition	Nonmajor Proprietary	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 163,640	143,544	307,184
Accounts receivable	1,829	40,523	42,352
Prepaid expense	5,621	-	5,621
Inventories	99,579	-	99,579
Capital assets, net of accumulated depreciation	80,178	-	80,178
<b>Total assets</b>	<b>350,847</b>	<b>184,067</b>	<b>534,914</b>
Deferred Outflows of Resources			
Pension related deferred outflows	76,857	55,484	132,341
Liabilities			
Current liabilities			
Accounts payable	3,168	9,527	12,695
Salaries and benefits payable	21,262	87,139	108,401
<b>Total current liabilities</b>	<b>24,430</b>	<b>96,666</b>	<b>121,096</b>
Noncurrent liabilities:			
Net pension liability	352,691	254,331	607,022
Net OPEB liability	17,451	15,102	32,553
<b>Total noncurrent liabilities</b>	<b>370,142</b>	<b>269,433</b>	<b>639,575</b>
<b>Total liabilities</b>	<b>394,572</b>	<b>366,099</b>	<b>760,671</b>
Deferred Inflows of Resources			
Pension related deferred inflows	134,506	96,994	231,500
Net position			
Net investment in capital assets	80,178	-	80,178
Unrestricted	(181,552)	(223,542)	(405,094)
<b>Total net position</b>	<b>\$ (101,374)</b>	<b>(223,542)</b>	<b>(324,916)</b>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds  
 Year ended June 30, 2015

	School Nutrition	Nonmajor Proprietary	Total
Operating revenue			
Local sources:			
Charges for services	\$ 841,663	948,998	1,790,661
Miscellaneous	140,786	7,115	147,901
Total operating revenue	<u>982,449</u>	<u>956,113</u>	<u>1,938,562</u>
Operating expenses			
Non-instructional programs			
Food service and community service operations			
Salaries	605,488	595,051	1,200,539
Benefits	144,438	115,441	259,879
Purchased services	26,011	183,750	209,761
Supplies	770,604	39,535	810,139
Depreciation	19,639	-	19,639
Total operating expenses	<u>1,566,180</u>	<u>933,777</u>	<u>2,499,957</u>
Operating income (loss)	<u>(583,731)</u>	<u>22,336</u>	<u>(561,395)</u>
Non-operating revenue			
State sources	10,494	-	10,494
Federal sources	621,921	4,124	626,045
	<u>632,415</u>	<u>4,124</u>	<u>636,539</u>
Change in net position	48,684	26,460	75,144
Net position, beginning of year, as restated	<u>(150,058)</u>	<u>(250,002)</u>	<u>(400,060)</u>
Net position, end of year	<u>\$ (101,374)</u>	<u>(223,542)</u>	<u>(324,916)</u>

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2015

	School Nutrition	Nonmajor Proprietary	Total
Cash flows from operating activities			
Cash received from sale of lunches and breakfasts	\$ 980,690	-	980,690
Cash received for child care fees	-	960,879	960,879
Cash payments to employees for services	(770,380)	(715,260)	(1,485,640)
Cash payments to suppliers for goods and services	(688,815)	(225,822)	(914,637)
Net cash provided (used) by operating activities	<u>(478,505)</u>	<u>19,797</u>	<u>(458,708)</u>
Cash flows from non-capital financing activities			
State grants received	10,494	-	10,494
Federal grants received	513,799	4,124	517,923
Net cash provided (used) by non-capital financing activities	<u>524,293</u>	<u>4,124</u>	<u>528,417</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(9,380)	-	(9,380)
Net cash used by capital and related financing activities	<u>(9,380)</u>	<u>-</u>	<u>(9,380)</u>
Net increase in cash and cash equivalents	36,408	23,921	60,329
Cash and cash equivalents beginning of year	<u>127,232</u>	<u>119,623</u>	<u>246,855</u>
Cash and cash equivalents end of year	<u>\$ 163,640</u>	<u>143,544</u>	<u>307,184</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (583,731)	22,336	(561,395)
Depreciation expense	19,639	-	19,639
Commodities used	107,910	-	107,910
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
(Increase) decrease in accounts receivable	(1,759)	4,766	3,007
Increase in prepaid expense	(1,613)	-	(1,613)
Decrease in inventories	840	-	840
Increase (decrease) in accounts payable	(950)	(2,537)	(3,487)
Increase (decrease) in salaries and benefits payable	(961)	3,412	2,451
Increase in deferred outflows of resources	(24,891)	(18,011)	(42,902)
Increase in deferred inflows of resources	134,506	96,994	231,500
Decreast in net pension liability	(135,969)	(98,049)	(234,018)
Increase in net OPEB liability	8,474	10,886	19,360
Net cash provided by (used) by operating activities	<u>\$ (478,505)</u>	<u>19,797</u>	<u>(458,708)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2015, the District received Federal commodities valued at \$107,097 and consumed Federal commodities of \$107,910 during the year.

See notes to financial statements.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2015

Assets	<u>Agency</u>
Cash, cash equivalents and pooled investments	\$ 46,554
Other receivables	<u>104</u>
 Total assets	 \$ <u><u>46,658</u></u>
 Liabilities & Fund Equity	
Liabilities:	
Accounts payable	\$ 2,717
Other payables	<u>43,941</u>
 Total Liabilities	 \$ <u><u>46,658</u></u>

See notes to financial statements.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements  
June 30, 2015

## 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation – Continued

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, 2015

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 position and changes in net position. 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 individuals, 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, 2015

**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 is both restricted and unrestricted net position 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.

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, 2015

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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, 2015

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 Position. 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

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, 2015. 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 Position. Bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest method.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statement represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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

D. Assets, Liabilities and Fund Equity – Continued

Deferred Inflows of Resources – Continued

Deferred inflows of resources on the Statement of Net Position consist of succeeding year taxes receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction function.

2. **CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2015 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.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$1,169,088 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, 2015, the District had the following investments:

	<u>Fair Value</u>
Federated Prime Cash Obligations	\$ 1,191,937
Certificates of Deposit	4,669,330

The investments in Federated Prime Cash Obligations money market fund were rated AAAM by Standard & Poor's Financial Services.

3. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Student Activity	General Fund	\$ 4,068
Debt Service	Local Option Sales Tax	1,869,661
		<u>\$ 1,873,729</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

4. **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,766,818	78,262	-	1,845,080
Construction in progress	<u>5,763,326</u>	<u>17,011,651</u>	<u>14,206,165</u>	<u>8,568,812</u>
	<u>7,530,144</u>	<u>17,089,913</u>	<u>14,206,165</u>	<u>10,413,892</u>
Capital assets being depreciated:				
Buildings	72,661,972	12,492,202	-	85,154,174
Improvements other than buildings	6,112,785	1,343,852	-	7,456,637
Furniture and equipment	<u>11,181,417</u>	<u>930,887</u>	<u>65,200</u>	<u>12,047,104</u>
	<u>89,956,174</u>	<u>14,766,941</u>	<u>65,200</u>	<u>104,657,915</u>
Less accumulated depreciation for:				
Buildings	17,419,676	1,721,359	-	19,141,035
Improvements other than buildings	2,015,062	312,471	-	2,327,533
Furniture and equipment	<u>6,285,746</u>	<u>1,239,603</u>	<u>65,200</u>	<u>7,460,149</u>
	<u>25,720,484</u>	<u>3,273,433</u>	<u>65,200</u>	<u>28,928,717</u>
Total capital assets being depreciated, net	<u>64,235,690</u>	<u>11,493,508</u>	<u>-</u>	<u>75,729,198</u>
Governmental activities capital assets, net	<u>\$ 71,765,834</u>	<u>28,583,421</u>	<u>14,206,165</u>	<u>86,143,090</u>
<b>Business type activities:</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 251,347	9,380	-	260,727
Less accumulated depreciation	<u>160,910</u>	<u>19,639</u>	<u>-</u>	<u>180,549</u>
Business-type activities capital assets, net	<u>\$ 90,437</u>	<u>(10,259)</u>	<u>-</u>	<u>80,178</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

**4. CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 1,816,879
Special	168,093
Vocational	42,206
Co-curricular	156,916

Support services:

Student support	90,904
Instructional staff	89,333
General administration	9,311
Building administration	126,017
Central services	25,104
Operation and maintenance of plant	64,822
Transportation	233,542

2,823,127

Unallocated depreciation 450,306

Total governmental activities depreciation expense \$ 3,273,433

Business-type activities:

Food service operations \$ 19,639

**5. LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 37,850,000	9,995,000	3,060,000	44,785,000	1,855,000
Discounts/Premiums	(170,139)	56,527	(93,989)	(19,623)	-
Revenue Bonds	20,790,000	-	845,000	19,945,000	1,005,000
Discounts/Premiums	(36,883)	-	(39,353)	2,470	-
Net pension liability	18,627,486	-	5,183,093	13,444,393	-
Net OPEB liability	605,984	329,793	234,900	700,877	-
Compensated absences	84,579	80,781	84,579	80,781	80,781
Total	<u>\$ 77,751,027</u>	<u>10,462,101</u>	<u>9,274,230</u>	<u>78,938,898</u>	<u>2,940,781</u>
Business type activities					
Net pension liability	\$ 841,040	-	234,018	607,022	-
Net OPEB liability	13,193	24,470	5,110	32,553	-
Total	<u>\$ 854,233</u>	<u>24,470</u>	<u>239,128</u>	<u>639,575</u>	<u>-</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30	Bond Issue of December 1, 2006			Bond Issue of July 1, 2007		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
	2016	4.00	\$ 84,690	125,000	4.50	\$ 397,200
2017	4.00	79,690	115,000	4.50	388,200	225,000
2018	3.70	75,090	120,000	4.50	378,075	240,000
2019	3.75	70,650	130,000	4.50	367,275	240,000
2020	3.80	65,775	150,000	4.50	356,475	250,000
2021	3.80	60,075	150,000	4.50	345,225	265,000
2022	3.85	54,375	450,000	4.25	333,300	1,000,000
2023	3.90	37,050	450,000	4.00	290,800	1,060,000
2024	3.90	19,500	500,000	4.00	248,400	1,075,000
2025		-	-	4.00	205,400	1,645,000
2026		-	-	4.00	139,600	1,710,000
2027		-	-	4.00	71,200	1,780,000
		<u>\$ 546,895</u>	<u>2,190,000</u>		<u>\$ 3,521,150</u>	<u>9,690,000</u>

Year Ending June 30	Refunding Bond Issue of November 1, 2010			Bond Issue of October 18, 2013		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
	2016	1.60	\$ 131,250	920,000	2.00	\$ 292,232
2017	1.90	116,530	925,000	2.00	283,333	450,000
2018	2.20	98,955	945,000	2.00	274,332	450,000
2019	2.45	78,165	965,000	2.00	265,333	455,000
2020	2.65	54,523	985,000	2.10	256,232	465,000
2021	2.80	28,420	1,015,000	2.40	246,468	470,000
2022		-	-	2.60	235,187	480,000
2023		-	-	2.80	222,708	490,000
2024		-	-	2.90	208,987	500,000
2025		-	-	3.10	194,488	525,000
2026		-	-	3.20	178,212	550,000
2027		-	-	3.40	160,613	550,000
2028		-	-	3.55	141,912	555,000
2029		-	-	3.70	122,210	570,000
2030		-	-	4.00	101,120	590,000
2031		-	-	4.00	77,520	610,000
2032		-	-	4.15	53,120	630,000
2033		-	-	4.15	26,975	650,000
		<u>\$ 507,843</u>	<u>5,755,000</u>		<u>\$ 3,340,982</u>	<u>9,435,000</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

5. LONG-TERM LIABILITIES - CONTINUED

Bonds Payable- Continued

Year Ending June 30	Bond Issue of June 2, 2014			Bond Issue of May 1, 2015			Total	
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal	Interest	Principal
2016		\$ 257,280	-	2.50	\$ 299,700	165,000	\$ 1,462,352	1,855,000
2017		257,280	-		295,575	-	1,420,608	1,715,000
2018		257,280	-		295,575	-	1,379,307	1,755,000
2019		257,280	-		295,575	-	1,334,278	1,790,000
2020		257,280	-		295,575	-	1,285,860	1,850,000
2021		257,280	-		295,575	-	1,233,043	1,900,000
2022		257,280	-		295,575	-	1,175,717	1,930,000
2023		257,280	-		295,575	-	1,103,413	2,000,000
2024		257,280	-		295,575	-	1,029,742	2,075,000
2025		257,280	-		295,575	-	952,743	2,170,000
2026		257,280	-		295,575	-	870,667	2,260,000
2027		257,280	-		295,575	-	784,668	2,330,000
2028	3.00	257,280	900,000	2.50	295,575	900,000	694,767	2,355,000
2029	3.00	230,280	950,000	2.75	273,075	930,000	625,565	2,450,000
2030	3.25	201,780	960,000	2.75	247,500	1,000,000	550,400	2,550,000
2031	3.30	170,580	1,000,000	3.00	220,000	1,000,000	468,100	2,610,000
2032	3.40	137,580	1,050,000	3.00	190,000	1,000,000	380,700	2,680,000
2033	3.50	101,880	1,080,000	3.00	160,000	1,000,000	288,855	2,730,000
2034	3.60	64,080	1,780,000	3.25	130,000	1,000,000	194,080	2,780,000
2035		-	-	3.25	97,500	3,000,000	97,500	3,000,000
		<u>\$4,250,820</u>	<u>7,720,000</u>		<u>\$5,164,675</u>	<u>9,995,000</u>	<u>\$ 17,332,365</u>	<u>44,785,000</u>

In October 2013 the District issued \$10,000,000 of General Obligation Bonds. The proceeds from the bonds were to provide funds to make security and site improvements at three elementary schools and the high school and to complete construction of a varsity athletic stadium at the middle school.

In June 2014 the District issued \$9,000,000 of General Obligation Bonds. The proceeds from the bonds were to provide additional funds to make security and site improvements at three elementary schools and the high school.

In May 2015 the District issued \$9,995,000 of General Obligation Bonds. The proceeds from the bonds were to complete the security and site improvements and the construction of the varsity athletic stadium.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

5. LONG-TERM LIABILITIES - CONTINUED

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30	Revenue Bonds of April 2, 2012			Revenue Bonds of July 1, 2011			Revenue Bonds of July 1, 2011		
	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal	Interest Rates	Interest	Principal
2016	2.00	\$ 16,000	380,000	3.00	\$ 106,193	145,000	3.00	\$ 106,193	145,000
2017	2.00	12,200	300,000	3.00	101,767	150,000	3.00	101,767	150,000
2018	2.00	6,100	310,000	3.10	97,115	155,000	3.10	97,115	155,000
		\$ 34,300	990,000	3.25	92,194	155,000	3.25	92,194	155,000
				3.25	87,075	160,000	3.25	87,075	160,000
				3.25	81,794	165,000	3.25	81,794	165,000
				3.25	76,269	175,000	3.25	76,269	175,000
				3.40	70,365	180,000	3.40	70,365	180,000
				3.50	64,067	185,000	3.50	64,067	185,000
				3.70	57,223	195,000	3.70	57,223	195,000
				3.80	49,815	200,000	3.80	49,815	200,000
				3.90	41,920	210,000	3.90	41,920	210,000
				4.00	33,425	220,000	4.00	33,425	220,000
				4.05	24,367	230,000	4.05	24,367	230,000
				4.20	14,790	475,000	4.20	14,790	475,000
		\$ 3,283,784	10,000,000		\$ 998,379	3,000,000		\$ 998,379	3,000,000

  

Year Ending June 30	Revenue Bonds of April 2, 2012			Total		
	Interest Rates	Interest	Principal	Interest	Principal	Principal
2016		\$ 146,770	-	\$ 603,887	-	1,005,000
2017		146,770	-	580,535	-	940,000
2018		146,770	-	557,346	-	970,000
2019	1.30	144,202	395,000	533,945	395,000	1,070,000
2020	1.60	138,435	400,000	509,871	400,000	1,095,000
2021	1.90	131,388	405,000	483,293	405,000	1,120,000
2022	2.10	123,182	415,000	453,450	415,000	1,160,000
2023	2.25	114,044	425,000	420,418	425,000	1,195,000
2024	2.35	104,151	435,000	384,332	435,000	1,235,000
2025	2.55	93,366	445,000	344,728	445,000	1,280,000
2026	2.60	81,713	460,000	301,512	460,000	1,325,000
2027	2.70	69,388	470,000	254,757	470,000	1,375,000
2028	2.80	56,253	485,000	204,262	485,000	1,435,000
2029	3.00	41,962	500,000	150,169	500,000	1,495,000
2030	3.05	26,609	1,120,000	92,961	1,120,000	3,245,000
		\$ 1,565,003	5,955,000	\$ 5,875,466		19,945,000

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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 \$19,945,000 issued in 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 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$25,820,466. For the current year, principal and interest paid were \$845,000 and \$624,311, respectively, and total statewide sales, services and use tax revenues were \$3,161,388.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) A total of \$1,856,424 of the proceeds from the issuance of the revenue bonds shall be deposited to reserve accounts 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.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfers to the sinking and reserve accounts may be transferred to the project account to be used for any lawful purpose.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

## 6. PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

# INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

## 6. PENSION PLAN – CONTINUED

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the OPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$2,154,128.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$14,051,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.347198 percent, which was an increase of 0.003353 from its proportion measured as of June 30, 2013.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

**6. PENSION PLAN – CONTINUED**

For the year ended June 30, 2015, the District recognized pension expense of \$1,085,322. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,712	-
Changes of assumptions	620,121	-
Net difference between projected and actual earnings on pension plan investments	-	5,358,805
Changes in proportion and differences between District contributions and proportionate share of contributions	137,730	-
District contributions subsequent to the measurement date	2,154,128	-
Total	\$ 3,064,691	5,358,805

\$2,154,128 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	(1,126,953)
2017		(1,126,953)
2018		(1,126,953)
2019		(1,126,953)
2020		59,570
Total	\$	(4,448,242)

There were no non-employer contributing entities at IPERS.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

**6. PENSION PLAN – CONTINUED**

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the result actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

**6. PENSION PLAN – CONTINUED**

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 26,549,753	\$ 14,051,415	\$ 3,501,522

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$202,696 for legally required employer contributions and \$135,055 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**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 351 active and 39 retired members in the plan. Participants must be age 55 or older at retirement.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 364,369
Interest on net OPEB obligation	27,269
Adjustment to annual required contribution	<u>(24,183)</u>
Annual OPEB cost	367,455
Contributions made	<u>(240,009)</u>
Increase in net OPEB obligation	127,446
Net OPEB obligation beginning of year	<u>605,984</u>
Net OPEB obligation end of year	<u><u>\$ 733,430</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$240,009 to the medical plan. Plan members eligible for benefits contributed \$122,618, or 51% of the premium costs.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows.

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 379,992	85.00%	\$ 533,992
2014	379,992	81.05%	605,984
2015	367,455	65.32%	733,430

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$3,814,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,814,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,795,000, and the ratio of the UAAL to covered payroll was 16.03%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.25% to 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

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

Mortality rates are from the RP-2014 Combined Health Generational 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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$546 to \$1,079 per month for retirees and spouses less than age 65. The UAAL is being amortized as a level percentage on an open period of 30 years.

**8. EARLY RETIREMENT**

During 2015 the District approved a one-time offer of voluntary early retirement for eligible employees who had attained age 55 and had completed ten continuous years of employment with the District. All applications for early retirement were limited in number and were subject to approval by the Board of Education. Eighteen applications were approved.

Early retirement benefits equal a \$500 monthly contribution toward retiree health insurance coverage under the District's plan from date of retirement to age 65. The District's maximum liability through October 2024 of \$571,500 will be funded on a pay-as-you-go basis.

**9. 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, 2015 were \$3,025,728.

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

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued  
June 30, 2015

10. CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 6,885
Gifted and talented	14,177
Teacher salary supplement	6,603
Successful early readers	31,850
Teacher leadership compensation	6
Mentoring	155
Educator quality, professional development	77,804
Total	<u>\$ 137,480</u>

11. 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 \$1,335,899 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. CONSTRUCTION COMMITMENTS

The District entered into contracts totaling \$17,124,721 for engineering and construction related to elementary and high school renovations and construction of an athletic stadium. At June 30, 2015, \$10,285,420 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the projects progresses.

13. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the

INDIANOLA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

13. ACCOUNTING CHANGE/RESTATEMENT - Continued

measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 37,327,048	364,734
Net pension liability at June 30, 2014	(18,627,486)	(841,040)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,980,912</u>	<u>76,246</u>
Net position July 1, 2014, as restated	<u>\$ 20,680,474</u>	<u>(400,060)</u>

**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, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts		
Local sources	\$ 17,979,658	1,938,562
State sources	24,052,100	10,494
Federal sources	842,616	626,045
Total receipts	<u>42,874,374</u>	<u>2,575,101</u>
Disbursements		
Instruction	23,828,832	-
Support services	10,927,456	-
Non-instructional programs	-	2,526,017
Other expenditures	24,746,451	-
Total disbursements	<u>59,502,739</u>	<u>2,526,017</u>
Excess (deficiency) of receipts over (under) disbursements	(16,628,365)	49,084
Other financing sources, net	<u>10,066,675</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(6,561,690)	49,084
Balance, beginning of year	<u>25,287,444</u>	<u>364,734</u>
Balance, end of year	<u>\$ 18,725,754</u>	<u>413,818</u>

See accompanying independent auditor's report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
-	19,918,220	20,996,485	20,996,485	(1,078,265)
-	24,062,594	22,924,949	22,924,949	1,137,645
-	<u>1,468,661</u>	<u>1,397,814</u>	<u>1,397,814</u>	<u>70,847</u>
-	<u>45,449,475</u>	<u>45,319,248</u>	<u>45,319,248</u>	<u>130,227</u>
-	23,828,832	23,549,312	23,549,312	(279,520)
225,943	11,153,399	12,015,197	12,015,197	861,798
(225,943)	2,300,074	2,615,000	2,615,000	314,926
-	<u>24,746,451</u>	<u>26,652,846</u>	<u>26,652,846</u>	<u>1,906,395</u>
-	<u>62,028,756</u>	<u>64,832,355</u>	<u>64,832,355</u>	<u>2,803,599</u>
-	(16,579,281)	(19,513,107)	(19,513,107)	2,933,826
-	<u>10,066,675</u>	<u>10,004,905</u>	<u>10,004,905</u>	<u>61,770</u>
-	(6,512,606)	(9,508,202)	(9,508,202)	2,995,596
-	<u>25,652,178</u>	<u>22,295,467</u>	<u>22,295,467</u>	<u>3,356,711</u>
-	<u>19,139,572</u>	<u>12,787,265</u>	<u>12,787,265</u>	<u>6,352,307</u>

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2015

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 ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction function.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
 Last Fiscal Year\*  
 (In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.347198%
District's proportionate share of the net pension liability	\$ 14,051
District's covered-employee payroll	\$ 23,121
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.77%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 2,154	2,065	1,930	1,711
Contributions in relation to the statutorily required contribution	<u>(2,154)</u>	<u>(2,065)</u>	<u>(1,930)</u>	<u>(1,711)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 24,122	23,121	22,258	21,202
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,421	1,405	1,294	1,111	978	933
<u>(1,421)</u>	<u>(1,405)</u>	<u>(1,294)</u>	<u>(1,111)</u>	<u>(978)</u>	<u>(933)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
20,447	21,122	20,374	18,363	17,015	16,219
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

# INDIANOLA COMMUNITY SCHOOL DISTRICT

## Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## INDIANOLA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information – Pension Liability – Continued

Year ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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	-	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%
2013	July 1, 2012	-	4,292	4,292	0.00%	20,653	20.78%
2014	July 1, 2012	-	4,292	4,292	0.00%	20,194	21.25%
2015	July 1, 2014	-	3,814	3,814	0.00%	23,795	16.03%

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, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,157,158	217,378	1,374,536
Receivables:			
Property tax:			
Current year delinquent	5,641	-	5,641
Succeeding year	991,339	-	991,339
Accounts	-	2,447	2,447
Due from other governments	-	60	60
<b>Total assets</b>	<b>\$ 2,154,138</b>	<b>219,885</b>	<b>2,374,023</b>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	50,233	50,233
Salaries and benefits payable	-	623	623
<b>Total liabilities</b>	<b>-</b>	<b>50,856</b>	<b>50,856</b>
Deferred Inflows of Resources			
Unavailable revenues:			
Succeeding year property tax	991,339	-	991,339
Fund balances			
Restricted for:			
Management levy purposes	1,162,799	-	1,162,799
Student activities	-	169,029	169,029
<b>Total fund balances</b>	<b>1,162,799</b>	<b>169,029</b>	<b>1,331,828</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,154,138</b>	<b>219,885</b>	<b>2,374,023</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, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 990,196	-	990,196
Other	31,339	606,817	638,156
State sources	15,618	-	15,618
Total revenues	<u>1,037,153</u>	<u>606,817</u>	<u>1,643,970</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	442,024	-	442,024
Co-curricular program instruction	-	621,290	621,290
Support services:			
Operation and maintainance of plant services	224,743	-	224,743
Transportation services	30,480	-	30,480
Total expenditures	<u>697,247</u>	<u>621,290</u>	<u>1,318,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>339,906</u>	<u>(14,473)</u>	<u>325,433</u>
Other financing (uses):			
Operating transfers in (out)	-	4,068	4,068
	-	4,068	4,068
Net change in fund balances	339,906	(10,405)	329,501
Fund balances beginning of year	<u>822,893</u>	<u>179,434</u>	<u>1,002,327</u>
Fund balances end of year	<u>\$ 1,162,799</u>	<u>169,029</u>	<u>1,331,828</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts  
Year ended June 30, 2015

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
High School Drama/Speech	\$ 9,984	22,660	26,719	76	6,001
Middle School Drama	4,971	2,486	4,631	-	2,826
High School Show Choir	11,635	-	13,987	4,018	1,666
High School Chorus	3,701	1,159	2,653	76	2,283
Middle School Swing Choir	-	24,055	23,297	-	758
High School JV Show Choir	8,969	-	7,361	3,718	5,326
High School Sidewayz Show Choir	6,463	-	4,262	3,718	5,919
High School Instrumental Music	20,299	2,036	15,154	10,104	17,285
High School Orchestra	3,853	786	156	76	4,559
High School Athletics	26,880	240,844	250,850	(2,550)	14,324
Middle School Athletics	11,049	45,722	40,575	-	16,196
Middle School Yearbook	369	11,400	9,817	-	1,952
High School Student Council	1,203	5,184	4,058	-	2,329
High School Debate	1,394	200	-	-	1,594
High School DECA	1,359	15,503	15,980	-	882
High School Cheerleaders	-	38,450	30,534	-	7,916
High School Drill Team	1,358	18,150	16,544	-	2,964
Future Farmers of America	17,774	82,216	81,997	-	17,993
Family, Career and Community					
Leaders of America	1,397	9,133	8,603	-	1,927
High School Art Club	1,311	1,405	480	(720)	1,516
High School Theatre Crew	1,247	-	46	76	1,277
FFA Steer Show	4,619	1,577	2,592	-	3,604
High School National Honor Society	1,185	1,136	1,045	-	1,276
High School Art Club Beverage	48	-	-	-	48
High School STEM Club	310	1,311	1,583	215	253
High School Science Club	215	-	-	(215)	-
German Club	782	-	159	-	623
Spanish Club	499	-	-	-	499
French Club	-	564	522	-	42
Service Corp	725	-	-	-	725
Middle School Vending Account	538	560	964	-	134
Middle School Account	4,825	6,579	6,646	-	4,758
Whittier School Account	14,364	3,777	6,298	-	11,843
Emerson Art Account	161	1,037	20	-	1,178

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 3  
(Continued)

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts  
Year ended June 30, 2015

Account	Balance Beginning of Year	Receipts and Transfers In	Disbursements and Transfers Out	Intrafund Transfer	Balance End of Year
FFA Greenhouse	1,509	1,589	417	-	2,681
Emerson Library/Media	1,275	4,964	4,121	-	2,118
Emerson General Account	3,377	1,015	3,434	-	958
High School Prom	2,500	17,041	14,877	-	4,664
Middle School Book Fair	14	1,610	1,607	-	17
High School Administrative	3,003	9,822	4,779	1,671	9,717
High School Best Buddies	742	-	184	-	558
High School Big Band Dance	1,501	1,768	2,166	-	1,103
High School Robotics Club	-	555	2,723	2,397	229
High School Jazz Encounter	849	26,143	7,960	(18,592)	440
Middle School Special Projects	1,177	4,380	1,489	-	4,068
<b>Total</b>	<u>\$ 179,434</u>	<u>606,817</u>	<u>621,290</u>	<u>4,068</u>	<u>169,029</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Balance Sheet  
Capital Project Accounts  
June 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Issues	
Assets				
Cash, cash equivalents and pooled investments	\$ 2,911,608	1,058,445	9,275,793	13,245,846
Receivables:				
Property tax:				
Current year delinquent	-	7,368	-	7,368
Succeeding year	-	1,368,210	-	1,368,210
Due from other governments	250,266	-	-	250,266
Prepaid expense	58,183	-	-	58,183
<b>Total assets</b>	<b>\$ 3,220,057</b>	<b>2,434,023</b>	<b>9,275,793</b>	<b>14,929,873</b>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 295,636	21,556	2,997,139	3,314,331
Total liabilities	295,636	21,556	2,997,139	3,314,331
Deferred Inflows of Resources				
Unavailable revenues:				
Succeeding year property tax	-	1,368,210	-	1,368,210
Fund balances:				
Restricted for:				
School infrastructure	2,924,421	-	-	2,924,421
Physical plant and equipment	-	1,044,257	-	1,044,257
Committed, capital improvements	-	-	6,278,654	6,278,654
Total fund balances	2,924,421	1,044,257	6,278,654	10,247,332
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,220,057</b>	<b>2,434,023</b>	<b>9,275,793</b>	<b>14,929,873</b>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Capital Project Accounts  
 Year ended June 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Issues	
Revenues:				
Local sources:				
Local tax	\$ -	1,316,527	-	1,316,527
Other	188	781	14,749	15,718
State sources	3,161,388	21,741	-	3,183,129
Total revenues	<u>3,161,576</u>	<u>1,339,049</u>	<u>14,749</u>	<u>4,515,374</u>
Expenditures:				
Current:				
Support services:				
Instructional staff support services	536,751	-	-	536,751
General administration services	-	-	12,261	12,261
Operation and maintenance of plant services	-	73,215	-	73,215
Transportation services	-	182,134	-	182,134
Other expenditures:				
Facilities acquisition and construction	263,558	146,336	17,038,088	17,447,982
Total expenditures	<u>800,309</u>	<u>401,685</u>	<u>17,050,349</u>	<u>18,252,343</u>
Excess (deficiency) of revenues over(under) expenditures	<u>2,361,267</u>	<u>937,364</u>	<u>(17,035,600)</u>	<u>(13,736,969)</u>
Other financing (uses):				
Bond proceeds, net of discount	-	-	10,051,526	10,051,526
Operating transfers in (out)	<u>(1,869,661)</u>	<u>-</u>	<u>-</u>	<u>(1,869,661)</u>
	<u>(1,869,661)</u>	<u>-</u>	<u>10,051,526</u>	<u>8,181,865</u>
Net change in fund balances	491,606	937,364	(6,984,074)	(5,555,104)
Fund balances beginning of year	<u>2,432,815</u>	<u>106,893</u>	<u>13,262,728</u>	<u>15,802,436</u>
Fund balances end of year	<u>\$ 2,924,421</u>	<u>1,044,257</u>	<u>6,278,654</u>	<u>10,247,332</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 6

Combining Balance Sheet  
Nonmajor Proprietary Funds  
June 30, 2015

	<u>Child Care</u>	<u>Home Building</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 40,232	103,312	143,544
Accounts receivable	<u>40,523</u>	<u>-</u>	<u>40,523</u>
 Total assets	 <u>80,755</u>	 <u>103,312</u>	 <u>184,067</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>55,484</u>	<u>-</u>	<u>55,484</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 9,527	-	9,527
Salaries and benefits payable	82,949	-	82,949
Compensated absences	<u>4,190</u>	<u>-</u>	<u>4,190</u>
Total current liabilities	<u>96,666</u>	<u>-</u>	<u>96,666</u>
Noncurrent liabilities:			
Net pension liability	254,331	-	254,331
Net OPEB liability	<u>15,102</u>	<u>-</u>	<u>15,102</u>
Total noncurrent liabilities	<u>269,433</u>	<u>-</u>	<u>269,433</u>
Total liabilities	<u>366,099</u>	<u>-</u>	<u>366,099</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>96,994</u>	<u>-</u>	<u>96,994</u>
Net position			
Unrestricted	<u>\$ (326,854)</u>	<u>103,312</u>	<u>(223,542)</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 7

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Proprietary Funds  
Year ended June 30, 2015

	<u>Child Care</u>	<u>Home Building</u>	<u>Total</u>
Operating revenue:			
Other local sources:			
Charges for services	\$ 948,998	-	948,998
Miscellaneous	7,115	-	7,115
Total operating revenue	<u>956,113</u>	<u>-</u>	<u>956,113</u>
Operating expenses:			
Non-instructional programs:			
Community service operations			
Salaries	595,051	-	595,051
Benefits	115,441	-	115,441
Purchased services	183,750	-	183,750
Supplies	39,535	-	39,535
Total operating expenses	<u>933,777</u>	<u>-</u>	<u>933,777</u>
Operating income	<u>22,336</u>	<u>-</u>	<u>22,336</u>
Non-operating revenues (expenses):			
Federal sources	<u>4,124</u>	<u>-</u>	<u>4,124</u>
Change in net position	26,460	-	26,460
Net position, beginning of year, as restated	<u>(353,314)</u>	<u>103,312</u>	<u>(250,002)</u>
Net position, end of year	<u>\$ (326,854)</u>	<u>103,312</u>	<u>(223,542)</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 8

Combining Schedule of Cash Flows  
 Nonmajor Proprietary Funds  
 Year ended June 30, 2015

	<u>Child Care</u>	<u>Home Building</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received for child care fees	\$ 960,879	-	960,879
Cash payments to employees for services	(715,260)	-	(715,260)
Cash payments to suppliers for goods and services	(225,822)	-	(225,822)
Net cash provided by operating activities	<u>19,797</u>	-	<u>19,797</u>
Cash flows from non-capital financing activities:			
Federal grants received	<u>4,124</u>	-	<u>4,124</u>
Net cash provided by (used in) non-capital financing activities	<u>4,124</u>	-	<u>4,124</u>
Net increase in cash and cash equivalents	23,921	-	23,921
Cash and cash equivalents, beginning of year	<u>16,311</u>	<u>103,312</u>	<u>119,623</u>
Cash and cash equivalents, end of year	<u>\$ 40,232</u>	<u>103,312</u>	<u>143,544</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 22,336	-	22,336
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Decrease in accounts receivable	4,766	-	4,766
Decrease in accounts payable	(2,537)	-	(2,537)
Increase in salaries and benefits payable	3,412	-	3,412
Increase in deferred outflows of resources	(18,011)	-	(18,011)
Increase in deferred inflows of resources	96,994	-	96,994
Decrease in net pension liability	(98,049)	-	(98,049)
Increase in net OPEB liability	<u>10,886</u>	-	<u>10,886</u>
Net cash provided by operating activities	<u>\$ 19,797</u>	-	<u>19,797</u>

See accompanying independent auditor's report.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 9

Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Year ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$ 79,752	13,199	164,397	(71,446)
Other receivables	<u>7,994</u>	<u>104</u>	<u>7,994</u>	<u>104</u>
Total assets	<u>\$ 87,746</u>	<u>13,303</u>	<u>172,391</u>	<u>(71,342)</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 7,243	2,717	7,243	2,717
Other payables	<u>80,503</u>	<u>128,586</u>	<u>165,148</u>	<u>43,941</u>
Total Liabilities	<u>\$ 87,746</u>	<u>131,303</u>	<u>172,391</u>	<u>46,658</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

Revenues	Modified Accrual Basis			
	Years ended June 30,			
	2015	2014	2013	2012
Local sources:				
Local tax	\$ 15,493,000	14,320,088	16,790,207	16,272,632
Tuition	1,351,998	1,260,446	1,246,777	1,116,534
Other	1,134,660	1,153,078	1,677,918	2,595,111
State sources	24,052,100	23,321,286	20,597,131	19,946,238
Federal sources	842,616	872,405	830,027	1,284,241
Total revenues	<u>\$ 42,874,374</u>	<u>40,927,303</u>	<u>41,142,060</u>	<u>41,214,756</u>
Expenditures				
Instruction:				
Regular instruction	\$ 14,517,452	14,223,015	13,691,644	12,921,543
Special education instruction	3,762,172	3,614,036	3,523,146	3,347,962
Vocational instruction	554,595	546,409	554,711	569,254
Other instruction	2,594,814	2,592,514	2,059,416	1,926,236
Co-curricular instruction	2,399,799	2,365,840	2,302,926	2,094,254
Support services:				
Student support services	897,879	845,079	874,335	793,789
Instructional staff support services	1,858,792	3,066,206	1,797,347	1,927,363
General administration services	477,344	479,602	428,589	459,562
Building administration services	1,756,491	1,713,578	1,636,898	1,606,774
Operation and maintenance of plant services	3,727,127	4,511,003	3,473,825	3,257,797
Transportation services	1,251,214	1,359,141	1,440,436	1,038,932
Central services	958,609	1,050,705	820,505	838,195
Other expenditures:				
Non-instructional programs	-	-	-	-
Facilities acquisition and construction	17,447,982	6,724,339	3,359,492	16,068,860
Long-term debt:				
Principal	3,905,000	1,630,000	9,240,000	6,340,000
Interest and fiscal charges	2,057,570	1,309,366	1,658,525	1,461,518
AEA flowthrough	1,335,899	1,287,371	1,198,589	1,152,740
Total expenditures	<u>\$ 59,502,739</u>	<u>47,318,204</u>	<u>48,060,384</u>	<u>55,804,779</u>

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
15,686,663	15,912,184	15,368,754	13,459,352	12,508,329	11,556,719
1,016,926	1,011,388	941,459	895,250	913,613	931,222
1,230,449	991,187	1,145,629	1,604,330	1,496,556	1,146,837
18,652,521	15,151,996	16,701,504	16,972,267	15,386,976	14,155,617
894,923	2,542,693	756,064	506,357	495,465	551,291
<u>37,481,482</u>	<u>35,609,448</u>	<u>34,913,410</u>	<u>33,437,556</u>	<u>30,800,939</u>	<u>28,341,686</u>
13,461,045	13,839,320	13,713,558	12,040,987	11,116,935	10,032,807
3,146,884	3,094,278	3,147,483	2,924,952	2,837,181	3,003,149
378,948	435,164	422,441	641,745	623,506	554,621
1,694,776	1,512,691	1,196,142	731,463	694,564	789,122
2,055,977	1,937,834	1,881,048	1,777,852	1,690,543	1,588,161
774,264	630,106	668,175	898,831	927,896	856,960
1,422,602	1,203,729	1,446,168	1,055,649	854,681	712,607
431,163	451,624	435,795	375,229	328,704	359,662
1,538,670	1,553,884	1,613,016	1,428,637	1,401,617	1,301,947
3,117,756	2,993,129	3,026,383	2,687,036	2,564,729	2,641,965
1,161,328	1,080,749	1,316,868	1,009,201	1,413,983	1,157,978
786,329	726,883	771,858	611,214	653,393	585,305
-	-	-	-	-	34,770
2,181,948	3,011,321	6,153,495	11,029,613	3,405,635	2,083,922
1,690,000	1,630,000	4,620,000	1,805,000	2,486,458	2,041,464
1,276,368	1,190,515	1,343,789	1,412,907	806,177	879,809
1,260,384	1,251,043	1,111,247	1,072,459	992,321	905,900
<u>36,378,442</u>	<u>36,542,270</u>	<u>42,867,466</u>	<u>41,502,775</u>	<u>32,798,323</u>	<u>29,530,149</u>

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule 11

Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY15	\$ 81,860
National School Lunch Program	10.555	FY15	431,141
National School Lunch Program - USDA Commodities (non-cash)	10.555	FY15	<u>107,097</u>
			<u>620,098</u>
Child and Adult Care Food Program	10.558	FY15	4,124
Summer Food Service Program	10.559	FY15	<u>1,823</u>
			<u>626,045</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	305,256
Improving Teacher Quality State Grants (Title II)	84.367	FY15	74,933
English Language Acquisition Grants (Title III)	84.365	FY15	3,127
Grants for State Assessments and Related Activities (Title VI)	84.369	FY15	17,355
Career and Technical Education - Basic Grants to States	84.048	FY15	27,853
Advanced Placement Program	84.330	FY15	194
Heartland Area Education Agency:			
Special Education - Grants to States (Individuals with Disabilities Education Act, Part B)	84.027	FY15	<u>155,698</u>
			<u>584,416</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health:			
AIDS Education	93.938	FY15	<u>105</u>
			<u>\$ 1,210,566</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, Schrum, McClafin  
& Co., Inc.

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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Indianola Community School District, as of and for the Year Ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 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.

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## 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, 2015 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

The Indianola Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Indianola Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Stull, Schrum, McClellan & Co., Inc.*

December 18, 2015



Shull, Schrum, McClafline  
& Co., Inc.  
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of the  
Indianola Community School District

Report on Compliance for Each Major Federal Program

We have audited the Indianola Community School District's 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, 2015. Indianola Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Indianola Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each of the major federal programs. However, our audit does not provide a legal determination on the Indianola Community School District's compliance.

### Opinion on Each Major Federal Program

In our opinion the Indianola Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

The management of the Indianola Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in 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 purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stull, Schrum, McClaffin & Co., Inc.*

December 18, 2015

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

- (A) Unmodified opinions were issued on the financial statements.
- (B) The audit of the financial statements 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 unmodified 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 program was as follows:
  - 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 qualified 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, 2015

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

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the instruction functions.

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

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

Conclusion – Response accepted.

IV-B-14 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-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-14 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-14 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

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

Conclusion – Response accepted.

INDIANOLA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

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

- IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 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, 2015, 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, 2015

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

IV-L-14 Statewide Sales and Services Tax - Continued

Beginning balance		\$ 2,432,815
Revenues/transfers in:		
Statewide sales and services tax revenue	\$ 3,161,388	
Investment earnings	<u>188</u>	3,161,576
Expenditures/transfers out:		
School infrastructure:		
Construction and improvements	\$ 185,296	
Equipment	536,751	
Land Purchased	78,262	
Transfers to debt service for school infrastructure:		
General obligation debt	200,000	
Revenue debt	<u>1,669,661</u>	<u>2,669,970</u>
Ending balance		<u>\$ 2,924,421</u>

For the year ended June 30, 2015, 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-14 Revenue Bonds – No violations of provisions of revenue bond resolution requirements were noted.