

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
ZIONSVILLE COMMUNITY SCHOOLS
BOONE COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/29/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-21
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	22-29
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	30-31
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	32-33
Schedule of Capital Assets.....	34
Schedule of Long-Term Debt	35
Audit Results and Comments:	
Internal Controls	36
Prescribed Forms	36
Overdrawn Cash Balances.....	37
Bank Account Reconciliations	37
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	40-41
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings and Questioned Costs	44-45
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	46
Corrective Action Plan.....	47-48
Exit Conference.....	49
Official Response	50-51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael Shafer	07-01-07 to 06-30-10
Superintendent of Schools	Scott Robison	07-01-07 to 06-30-10
President of the School Board	James Krupwicz Jon Cravens	07-01-07 to 06-30-08 07-01-08 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE ZIONSVILLE COMMUNITY SCHOOLS, BOONE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zionsville Community Schools (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 9, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 9, 2010



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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 OFFICIALS OF THE ZIONSVILLE COMMUNITY SCHOOLS, BOONE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zionsville Community Schools (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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

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

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
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 9, 2010

ZIONSVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 24,159,936	\$ -	\$ 160,937	\$ (23,998,999)
Support services	15,420,495	2,711,099	211,278	(12,498,118)
Noninstructional services	2,119,724	-	-	(2,119,724)
Facilities acquisition and construction	3,428,670	-	-	(3,428,670)
Debt service	38,702,888	-	-	(38,702,888)
Nonprogrammed charges	650,817	-	-	(650,817)
Total governmental activities	<u>\$ 84,482,530</u>	<u>\$ 2,711,099</u>	<u>\$ 372,215</u>	<u>(81,399,216)</u>
General receipts:				
Property taxes				35,316,744
Other local sources				3,530,813
State aid				13,831,013
Bonds and loans				25,324,623
Grants and contributions not restricted to specific programs				604,937
Investment earnings				648,129
Total general receipts				79,256,259
Change in net assets				(2,142,957)
Net assets - beginning				14,628,833
Net assets - ending				<u>\$ 12,485,876</u>
<u>Assets</u>				
Cash and investments				\$ 11,659,599
Restricted assets:				
Cash and investments				826,277
Total assets				<u>\$ 12,485,876</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 826,277
Unrestricted				11,659,599
Total net assets				<u>\$ 12,485,876</u>

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 24,902,039	\$ -	\$ 195,720	\$ (24,706,319)
Support services	17,421,174	3,405,700	282,396	(13,733,078)
Noninstructional services	2,868,201	-	-	(2,868,201)
Facilities acquisition and construction	3,094,766	-	-	(3,094,766)
Debt service	31,841,561	-	-	(31,841,561)
Nonprogrammed charges	54,582	-	-	(54,582)
Total governmental activities	<u>\$ 80,182,323</u>	<u>\$ 3,405,700</u>	<u>\$ 478,116</u>	<u>(76,298,507)</u>
General receipts:				
Property taxes				40,528,831
Other local sources				5,879,465
State aid				19,687,987
Bonds and loans				2,218,734
Grants and contributions not restricted to specific programs				3,948,706
Investment earnings				172,420
Total general receipts				72,436,143
Change in net assets				(3,862,364)
Net assets - beginning				12,485,876
Net assets - ending				<u>\$ 8,623,512</u>
<u>Assets</u>				
Cash and investments				\$ 8,444,608
Restricted assets:				
Cash and investments				178,904
Total assets				<u>\$ 8,623,512</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 178,904
Unrestricted				8,444,608
Total net assets				<u>\$ 8,623,512</u>

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	School Lunch	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 16,224,378	\$ 1,792,217	\$ 15,878,572	\$ 2,529,396	\$ 5,782,151	\$ 42,206,714
Intermediate sources	71	-	-	-	-	71
State sources	13,935,317	34,303	-	-	206,017	14,175,637
Federal sources	-	148,564	-	-	483,964	632,528
Temporary loans	<u>16,476,625</u>	<u>-</u>	<u>7,100,000</u>	<u>-</u>	<u>1,747,998</u>	<u>25,324,623</u>
Total receipts	<u>46,636,391</u>	<u>1,975,084</u>	<u>22,978,572</u>	<u>2,529,396</u>	<u>8,220,130</u>	<u>82,339,573</u>
Disbursements:						
Current:						
Instruction	23,213,101	-	-	-	946,835	24,159,936
Support services	8,723,136	6,759	-	2,755,590	3,935,010	15,420,495
Noninstructional services	294,852	1,812,634	-	-	12,238	2,119,724
Facilities acquisition and construction	-	-	-	2,405,529	1,023,141	3,428,670
Debt services	13,165,192	-	22,743,888	-	2,793,808	38,702,888
Nonprogrammed charges	<u>562,307</u>	<u>86,040</u>	<u>-</u>	<u>-</u>	<u>2,470</u>	<u>650,817</u>
Total disbursements	<u>45,958,588</u>	<u>1,905,433</u>	<u>22,743,888</u>	<u>5,161,119</u>	<u>8,713,502</u>	<u>84,482,530</u>
Excess (deficiency) of receipts over disbursements	<u>677,803</u>	<u>69,651</u>	<u>234,684</u>	<u>(2,631,723)</u>	<u>(493,372)</u>	<u>(2,142,957)</u>
Other financing sources (uses):						
Transfers in	6,908	-	-	-	279,603	286,511
Transfers out	<u>(78,224)</u>	<u>-</u>	<u>(6,908)</u>	<u>-</u>	<u>(201,379)</u>	<u>(286,511)</u>
Total other financing sources (uses)	<u>(71,316)</u>	<u>-</u>	<u>(6,908)</u>	<u>-</u>	<u>78,224</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	606,487	69,651	227,776	(2,631,723)	(415,148)	(2,142,957)
Cash and investments - beginning	<u>2,737,537</u>	<u>720,180</u>	<u>566,140</u>	<u>7,465,680</u>	<u>3,139,296</u>	<u>14,628,833</u>
Cash and investments - ending	<u>\$ 3,344,024</u>	<u>\$ 789,831</u>	<u>\$ 793,916</u>	<u>\$ 4,833,957</u>	<u>\$ 2,724,148</u>	<u>\$ 12,485,876</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 3,344,024	\$ 789,831	\$ -	\$ 4,833,957	\$ 2,691,787	\$ 11,659,599
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>793,916</u>	<u>-</u>	<u>32,361</u>	<u>826,277</u>
Total cash and investment assets - ending	<u>\$ 3,344,024</u>	<u>\$ 789,831</u>	<u>\$ 793,916</u>	<u>\$ 4,833,957</u>	<u>\$ 2,724,148</u>	<u>\$ 12,485,876</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 793,916	\$ -	\$ 32,361	\$ 826,277
Unrestricted	<u>3,344,024</u>	<u>789,831</u>	<u>-</u>	<u>4,833,957</u>	<u>2,691,787</u>	<u>11,659,599</u>
Total cash and investment fund balance - ending	<u>\$ 3,344,024</u>	<u>\$ 789,831</u>	<u>\$ 793,916</u>	<u>\$ 4,833,957</u>	<u>\$ 2,724,148</u>	<u>\$ 12,485,876</u>

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch	Federal Stimulus Grant	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 21,080,272	\$ 1,915,141	\$ -	\$ 16,627,178	\$ 4,531,179	\$ 5,832,574	\$ 49,986,344
Intermediate sources	72	-	-	-	-	-	72
State sources	19,830,311	35,426	-	-	-	231,798	20,097,535
Federal sources	-	207,647	2,699,410	-	-	1,110,217	4,017,274
Temporary loans	1,978,639	-	-	-	-	240,095	2,218,734
Total receipts	42,889,294	2,158,214	2,699,410	16,627,178	4,531,179	7,414,684	76,319,959
Disbursements:							
Current:							
Instruction	23,329,172	-	-	-	-	1,572,867	24,902,039
Support services	11,450,569	12,147	-	-	1,812,174	4,146,284	17,421,174
Noninstructional services	323,497	2,081,346	-	-	100,618	362,740	2,868,201
Facilities acquisition and construction	-	-	-	-	3,027,178	67,588	3,094,766
Debt services	13,056,277	-	-	17,200,566	-	1,584,718	31,841,561
Nonprogrammed charges	-	54,582	-	-	-	-	54,582
Total disbursements	48,159,515	2,148,075	-	17,200,566	4,939,970	7,734,197	80,182,323
Excess (deficiency) of receipts over disbursements	(5,270,221)	10,139	2,699,410	(573,388)	(408,791)	(319,513)	(3,862,364)
Other financing sources (uses):							
Transfers in	11,846	-	-	-	-	11,821	23,667
Transfers out	-	-	-	(11,821)	-	(11,846)	(23,667)
Total other financing sources (uses)	11,846	-	-	(11,821)	-	(25)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,258,375)	10,139	2,699,410	(585,209)	(408,791)	(319,538)	(3,862,364)
Cash and investments - beginning	3,344,024	789,831	-	793,916	4,833,957	2,724,148	12,485,876
Cash and investments - ending	<u>\$ (1,914,351)</u>	<u>\$ 799,970</u>	<u>\$ 2,699,410</u>	<u>\$ 208,707</u>	<u>\$ 4,425,166</u>	<u>\$ 2,404,610</u>	<u>\$ 8,623,512</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (1,914,351)	\$ 799,970	\$ 2,699,410	\$ -	\$ 4,425,166	\$ 2,434,413	\$ 8,444,608
Restricted assets:							
Cash and investments	-	-	-	208,707	-	(29,803)	178,904
Total cash and investment assets - ending	<u>\$ (1,914,351)</u>	<u>\$ 799,970</u>	<u>\$ 2,699,410</u>	<u>\$ 208,707</u>	<u>\$ 4,425,166</u>	<u>\$ 2,404,610</u>	<u>\$ 8,623,512</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	208,707	\$ -	\$ (29,803)	\$ 178,904
Unrestricted	(1,914,351)	799,970	2,699,410	-	4,425,166	2,434,413	8,444,608
Total cash and investment fund balance - ending	<u>\$ (1,914,351)</u>	<u>\$ 799,970</u>	<u>\$ 2,699,410</u>	<u>\$ 208,707</u>	<u>\$ 4,425,166</u>	<u>\$ 2,404,610</u>	<u>\$ 8,623,512</u>

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 127,681	
Total contributions	<u>-</u>	<u>127,681</u>	
Investment earnings:			
Interest	<u>34,684</u>	<u>-</u>	
Net investment earnings	<u>34,684</u>	<u>-</u>	
Total additions	<u>34,684</u>	<u>127,681</u>	
Deductions:			
Benefits	153,581	-	
Instruction	<u>-</u>	<u>163,133</u>	
Total deductions	<u>153,581</u>	<u>163,133</u>	
Deficiency of total additions under total deductions	(118,897)	(35,452)	
Cash and investment fund balance - beginning	<u>841,440</u>	<u>148,172</u>	
Cash and investment fund balance - ending	<u>\$ 722,543</u>	<u>\$ 112,720</u>	<u>\$ 461,237</u>
Net assets:			
Cash and investments	<u>\$ 722,543</u>	<u>\$ 112,720</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 722,543</u>	<u>\$ 112,720</u>	

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 106,575	\$ -	
Other	<u>-</u>	<u>187,560</u>	
Total contributions	<u>106,575</u>	<u>187,560</u>	
Investment earnings:			
Interest	<u>5,127</u>	<u>-</u>	
Total additions	<u>111,702</u>	<u>187,560</u>	
Deductions:			
Benefits	335,600	-	
Instruction	<u>-</u>	<u>221,963</u>	
Total deductions	<u>335,600</u>	<u>221,963</u>	
Deficiency of total additions under total deductions	(223,898)	(34,403)	
Cash and investment fund balance - beginning	<u>722,543</u>	<u>112,720</u>	
Cash and investment fund balance - ending	<u>\$ 498,645</u>	<u>\$ 78,317</u>	<u>\$ 553,046</u>
Net assets:			
Cash and investments	<u>\$ 498,645</u>	<u>\$ 78,317</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 498,645</u>	<u>\$ 78,317</u>	

The notes to the financial statements are an integral part of this statement.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the school corporation.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with eight other schools in a joint venture to operate West Central Joint Services which was created to provide services to special education students. The School Corporation is obligated by contract to contribute annually to supplement the Co-op. Complete financial statements for the West Central Joint Services can be obtained from Metropolitan School District of Wayne Township, Marion County.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The school lunch fund is used to account for the receipts and disbursements of the food service program.

The federal stimulus grant fund is used to account for receipts and disbursement of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for bonds and payments anticipated to be made to employees on or after termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students.

Agency funds account for assets held by the School Corporation as an agent for state and federal taxing agencies.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
General	\$ -	\$ 1,914,351
Technology	-	139
Special Education Stimulus Grant	-	50,365

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2009, the School Corporation had no investments.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
General Fund	Other governmental funds	\$ 78,224	\$ -
Debt Service	General Fund	6,908	11,821
Other governmental funds	General Fund	-	11,846
	Other governmental funds	<u>201,379</u>	<u>-</u>
Totals		<u>\$ 286,511</u>	<u>\$ 23,667</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the General fund where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$90,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into several capital leases with the following holding corporations (the lessors):

Eagle-Union Elementary School Building Corporation
Eagle-Union Community Schools Building Corporation
Eagle Union Middle School Building Corporation
Zionsville Community Schools Building Corporation

The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$32,436,000.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$975,517, \$891,404, and \$753,898, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Transportation Operating	Special Education Preschool	Textbook Rental	Levy Excess	Special Education	Reading Recovery	Gifted and Talented
Receipts:							
Local sources	\$ 2,681,807	\$ 56,598	\$ 1,142,850	\$ -	\$ 340,020	\$ -	\$ -
State sources	-	120,973	28,411	-	-	-	48,211
Federal sources	-	-	-	-	170,983	-	-
Temporary loans	1,747,998	-	-	-	-	-	-
Total receipts	4,429,805	177,571	1,171,261	-	511,003	-	48,211
Disbursements:							
Current:							
Instruction	-	93,123	-	-	634,715	-	23,241
Support services	2,509,306	1,816	639,877	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	2,034,047	-	-	-	-	-	-
Nonprogrammed charges	-	2,470	-	-	-	-	-
Total disbursements	4,543,353	97,409	639,877	-	634,715	-	23,241
Excess (deficiency) of receipts over disbursements	(113,548)	80,162	531,384	-	(123,712)	-	24,970
Other financing sources (uses):							
Transfers in	-	-	-	-	76,224	2,000	-
Transfers out	-	-	(176,795)	-	-	-	-
Total other financing sources (uses)	-	-	(176,795)	-	76,224	2,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(113,548)	80,162	354,589	-	(47,488)	2,000	24,970
Cash and investments - beginning	719,845	461,722	317,123	11,846	71,459	(2,000)	7,174
Cash and investments - ending	\$ 606,297	\$ 541,884	\$ 671,712	\$ 11,846	\$ 23,971	\$ -	\$ 32,144
Cash and Investment Assets - Ending							
Cash and investments	\$ 606,297	\$ 541,884	\$ 671,712	\$ 11,846	\$ 23,971	\$ -	\$ 32,144
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 606,297	\$ 541,884	\$ 671,712	\$ 11,846	\$ 23,971	\$ -	\$ 32,144
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	606,297	541,884	671,712	11,846	23,971	-	32,144
Total cash and investment fund balance - ending	\$ 606,297	\$ 541,884	\$ 671,712	\$ 11,846	\$ 23,971	\$ -	\$ 32,144

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Non-English Speaking Grant	Technology	Performance Based Awards	Health Clinic Treatment	Campus Parking	Extended Services	Title I 06/07
Receipts:							
Local sources	\$ -	\$ 150	\$ -	\$ 52,212	\$ 15,702	\$ 30,913	\$ -
State sources	8,422	-	-	-	-	-	-
Federal sources	-	10,195	-	-	-	-	20,000
Temporary loans	-	-	-	-	-	-	-
Total receipts	8,422	10,345	-	52,212	15,702	30,913	20,000
Disbursements:							
Current:							
Instruction	-	19,237	-	-	-	4,100	16,889
Support services	3,640	-	-	229,007	4,910	-	3,170
Noninstructional services	-	-	-	-	-	3,914	-
Facilities acquisition and construction	-	9,138	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	3,640	28,375	-	229,007	4,910	8,014	20,059
Excess (deficiency) of receipts over disbursements	4,782	(18,030)	-	(176,795)	10,792	22,899	(59)
Other financing sources (uses):							
Transfers in	-	-	-	176,795	-	-	-
Transfers out	-	-	-	-	-	-	(24,584)
Total other financing sources (uses)	-	-	-	176,795	-	-	(24,584)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,782	(18,030)	-	-	10,792	22,899	(24,643)
Cash and investments - beginning	3,812	41,753	4,246	-	12,637	-	24,643
Cash and investments - ending	\$ 8,594	\$ 23,723	\$ 4,246	\$ -	\$ 23,429	\$ 22,899	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 8,594	\$ 23,723	\$ 4,246	\$ -	\$ 23,429	\$ 22,899	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 8,594	\$ 23,723	\$ 4,246	\$ -	\$ 23,429	\$ 22,899	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	8,594	23,723	4,246	-	23,429	22,899	-
Total cash and investment fund balance - ending	\$ 8,594	\$ 23,723	\$ 4,246	\$ -	\$ 23,429	\$ 22,899	\$ -

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I 07/08	Title V	Drug-Free Schools 07/08	Drug-Free Schools 00-001	Title II 07/08	Safe Haven	Title III
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	210,421	-	9,560	-	24,921	7,884	30,000
Temporary loans	-	-	-	-	-	-	-
Total receipts	210,421	-	9,560	-	24,921	7,884	30,000
Disbursements:							
Current:							
Instruction	138,770	-	-	-	-	-	14,230
Support services	37,616	-	-	11,105	-	-	-
Noninstructional services	8,324	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	184,710	-	-	11,105	-	-	14,230
Excess (deficiency) of receipts over disbursements	25,711	-	9,560	(11,105)	24,921	7,884	15,770
Other financing sources (uses):							
Transfers in	24,584	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	24,584	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	50,295	-	9,560	(11,105)	24,921	7,884	15,770
Cash and investments - beginning	-	16,626	27,046	11,105	-	21,125	29,593
Cash and investments - ending	\$ 50,295	\$ 16,626	\$ 36,606	\$ -	\$ 24,921	\$ 29,009	\$ 45,363
Cash and Investment Assets - Ending							
Cash and investments	\$ 50,295	\$ 16,626	\$ 36,606	\$ -	\$ 24,921	\$ 29,009	\$ 45,363
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 50,295	\$ 16,626	\$ 36,606	\$ -	\$ 24,921	\$ 29,009	\$ 45,363
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	50,295	16,626	36,606	-	24,921	29,009	45,363
Total cash and investment fund balance - ending	\$ 50,295	\$ 16,626	\$ 36,606	\$ -	\$ 24,921	\$ 29,009	\$ 45,363

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Enhanced Ed/Tech	Title II	Pension Bond Debt	School Bus Replacement	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 727,872	\$ 712,397	\$ 21,630	\$ 5,782,151
State sources	-	-	-	-	-	206,017
Federal sources	-	-	-	-	-	483,964
Temporary loans	-	-	-	-	-	1,747,998
Total receipts	-	-	727,872	712,397	21,630	8,220,130
Disbursements:						
Current:						
Instruction	2,449	81	-	-	-	946,835
Support services	-	-	-	494,563	-	3,935,010
Noninstructional services	-	-	-	-	-	12,238
Facilities acquisition and construction	-	-	-	-	1,014,003	1,023,141
Debt services	-	-	759,761	-	-	2,793,808
Nonprogrammed charges	-	-	-	-	-	2,470
Total disbursements	2,449	81	759,761	494,563	1,014,003	8,713,502
Excess (deficiency) of receipts over disbursements	(2,449)	(81)	(31,889)	217,834	(992,373)	(493,372)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	279,603
Transfers out	-	-	-	-	-	(201,379)
Total other financing sources (uses)	-	-	-	-	-	78,224
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,449)	(81)	(31,889)	217,834	(992,373)	(415,148)
Cash and investments - beginning	2,449	1,127	64,250	299,342	992,373	3,139,296
Cash and investments - ending	\$ -	\$ 1,046	\$ 32,361	\$ 517,176	\$ -	\$ 2,724,148
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,046	\$ -	\$ 517,176	\$ -	\$ 2,691,787
Restricted assets:						
Cash and investments	-	-	32,361	-	-	32,361
Total cash and investment assets - ending	\$ -	\$ 1,046	\$ 32,361	\$ 517,176	\$ -	\$ 2,724,148
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 32,361	\$ -	\$ -	\$ 32,361
Unrestricted	-	1,046	-	517,176	-	2,691,787
Total cash and investment fund balance - ending	\$ -	\$ 1,046	\$ 32,361	\$ 517,176	\$ -	\$ 2,724,148

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Special Education Preschool	Textbook Rental	Levy Excess	Special Education	Gifted and Talented
Receipts:						
Local sources	\$ 2,768,413	\$ 38,732	\$ 1,104,763	\$ -	\$ -	\$ 690
State sources	-	139,079	39,323	-	-	47,250
Federal sources	-	-	-	-	885,445	-
Temporary loans	240,095	-	-	-	-	-
Total receipts	<u>3,008,508</u>	<u>177,811</u>	<u>1,144,086</u>	<u>-</u>	<u>885,445</u>	<u>47,940</u>
Disbursements:						
Current:						
Instruction	-	187,163	5,502	-	829,005	46,758
Support services	2,540,938	210	1,134,940	-	-	1,888
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	831,662	-	-	-	-	-
Total disbursements	<u>3,372,600</u>	<u>187,373</u>	<u>1,140,442</u>	<u>-</u>	<u>829,005</u>	<u>48,646</u>
Excess (deficiency) of receipts over disbursements	<u>(364,092)</u>	<u>(9,562)</u>	<u>3,644</u>	<u>-</u>	<u>56,440</u>	<u>(706)</u>
Other financing sources (uses):						
Transfers in	-	-	11,821	-	-	-
Transfers out	-	-	-	(11,846)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,821</u>	<u>(11,846)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(364,092)</u>	<u>(9,562)</u>	<u>15,465</u>	<u>(11,846)</u>	<u>56,440</u>	<u>(706)</u>
Cash and investments - beginning	<u>606,297</u>	<u>541,884</u>	<u>671,712</u>	<u>11,846</u>	<u>23,971</u>	<u>32,144</u>
Cash and investments - ending	<u>\$ 242,205</u>	<u>\$ 532,322</u>	<u>\$ 687,177</u>	<u>\$ -</u>	<u>\$ 80,411</u>	<u>\$ 31,438</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 242,205	\$ 532,322	\$ 687,177	\$ -	\$ 80,411	\$ 31,438
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 242,205</u>	<u>\$ 532,322</u>	<u>\$ 687,177</u>	<u>\$ -</u>	<u>\$ 80,411</u>	<u>\$ 31,438</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	242,205	532,322	687,177	-	80,411	31,438
Total cash and investment fund balance - ending	<u>\$ 242,205</u>	<u>\$ 532,322</u>	<u>\$ 687,177</u>	<u>\$ -</u>	<u>\$ 80,411</u>	<u>\$ 31,438</u>

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Non-English Speaking Grant	Technology	Performance Based Awards	Campus Parking	Extended Services	Title I 07/08
Receipts:						
Local sources	\$ -	\$ 1,489	\$ 305	\$ 16,760	\$ 615,544	\$ -
State sources	6,146	-	-	-	-	-
Federal sources	-	50,426	-	-	-	129,373
Temporary loans	-	-	-	-	-	-
Total receipts	6,146	51,915	305	16,760	615,544	129,373
Disbursements:						
Current:						
Instruction	3,024	8,189	-	-	264,109	120,721
Support services	1,822	-	-	6,121	948	54,483
Noninstructional services	-	-	-	-	361,509	1,231
Facilities acquisition and construction	-	67,588	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	4,846	75,777	-	6,121	626,566	176,435
Excess (deficiency) of receipts over disbursements	1,300	(23,862)	305	10,639	(11,022)	(47,062)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,300	(23,862)	305	10,639	(11,022)	(47,062)
Cash and investments - beginning	8,594	23,723	4,246	23,429	22,899	50,295
Cash and investments - ending	<u>\$ 9,894</u>	<u>\$ (139)</u>	<u>\$ 4,551</u>	<u>\$ 34,068</u>	<u>\$ 11,877</u>	<u>\$ 3,233</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 9,894	\$ (139)	\$ 4,551	\$ 34,068	\$ 11,877	\$ 3,233
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 9,894	\$ (139)	\$ 4,551	\$ 34,068	\$ 11,877	\$ 3,233
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,894	(139)	4,551	34,068	11,877	3,233
Total cash and investment fund balance - ending	\$ 9,894	\$ (139)	\$ 4,551	\$ 34,068	\$ 11,877	\$ 3,233

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title V	Drug-Free Schools 07/08	Drug-Free Schools 00-001	Title II 07/08	Safe Haven	Title II
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 163	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	6,120	-	4,515	-	3,236	26,904
Temporary loans	-	-	-	-	-	-
Total receipts	6,120	-	4,515	163	3,236	26,904
Disbursements:						
Current:						
Instruction	6,098	4,663	-	150	-	47,120
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	6,098	4,663	-	150	-	47,120
Excess (deficiency) of receipts over disbursements	22	(4,663)	4,515	13	3,236	(20,216)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22	(4,663)	4,515	13	3,236	(20,216)
Cash and investments - beginning	16,626	36,606	-	24,921	29,009	45,363
Cash and investments - ending	<u>\$ 16,648</u>	<u>\$ 31,943</u>	<u>\$ 4,515</u>	<u>\$ 24,934</u>	<u>\$ 32,245</u>	<u>\$ 25,147</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 16,648	\$ 31,943	\$ 4,515	\$ 24,934	\$ 32,245	\$ 25,147
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 16,648</u>	<u>\$ 31,943</u>	<u>\$ 4,515</u>	<u>\$ 24,934</u>	<u>\$ 32,245</u>	<u>\$ 25,147</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	16,648	31,943	4,515	24,934	32,245	25,147
Total cash and investment fund balance - ending	<u>\$ 16,648</u>	<u>\$ 31,943</u>	<u>\$ 4,515</u>	<u>\$ 24,934</u>	<u>\$ 32,245</u>	<u>\$ 25,147</u>

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title III	Special Education Stimulus Grant	Pension Bond Debt	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 690,892	\$ 594,823	\$ 5,832,574
State sources	-	-	-	-	231,798
Federal sources	4,198	-	-	-	1,110,217
Temporary loans	-	-	-	-	240,095
Total receipts	4,198	-	690,892	594,823	7,414,684
Disbursements:					
Current:					
Instruction	-	50,365	-	-	1,572,867
Support services	-	-	-	404,934	4,146,284
Noninstructional services	-	-	-	-	362,740
Facilities acquisition and construction	-	-	-	-	67,588
Debt services	-	-	753,056	-	1,584,718
Total disbursements	-	50,365	753,056	404,934	7,734,197
Excess (deficiency) of receipts over disbursements	4,198	(50,365)	(62,164)	189,889	(319,513)
Other financing sources (uses):					
Transfers in	-	-	-	-	11,821
Transfers out	-	-	-	-	(11,846)
Total other financing sources (uses)	-	-	-	-	(25)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,198	(50,365)	(62,164)	189,889	(319,538)
Cash and investments - beginning	1,046	-	32,361	517,176	2,724,148
Cash and investments - ending	<u>\$ 5,244</u>	<u>\$ (50,365)</u>	<u>\$ (29,803)</u>	<u>\$ 707,065</u>	<u>\$ 2,404,610</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 5,244	\$ (50,365)	\$ -	\$ 707,065	\$ 2,434,413
Restricted assets:					
Cash and investments	-	-	(29,803)	-	(29,803)
Total cash and investment assets - ending	<u>\$ 5,244</u>	<u>\$ (50,365)</u>	<u>\$ (29,803)</u>	<u>\$ 707,065</u>	<u>\$ 2,404,610</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ (29,803)	\$ -	\$ (29,803)
Unrestricted	5,244	(50,365)	-	707,065	2,434,413
Total cash and investment fund balance - ending	<u>\$ 5,244</u>	<u>\$ (50,365)</u>	<u>\$ (29,803)</u>	<u>\$ 707,065</u>	<u>\$ 2,404,610</u>

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2008

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Plan members	-	-	-
State	-	-	-
Other	-	-	-
	-	-	-
Total contributions	-	-	-
Investment earnings:			
Net increase (decrease) in fair value of investments	-	-	-
Interest	34,684	-	34,684
Dividends	-	-	-
	-	-	-
Total investment earnings	34,684	-	34,684
Less investment disbursements	-	-	-
	-	-	-
Net investment earnings	34,684	-	34,684
Total additions	34,684	-	34,684
Deductions:			
Benefits	153,581	-	153,581
Refunds of contributions	-	-	-
Administrative and general	-	-	-
	-	-	-
Total deductions	153,581	-	153,581
Deficiency of total additions over total deductions	(118,897)	-	(118,897)
Cash and investment fund balance - beginning	841,440	-	841,440
Cash and investment fund balance - ending	\$ 722,543	\$ -	\$ 722,543
Net assets:			
Cash and investments	\$ 722,543	\$ -	\$ 722,543
Total net assets - cash and investment basis held in trust	\$ 722,543	\$ -	\$ 722,543

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2009

	Retirement/ Severance	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ -	\$ 106,575	\$ 106,575
Total contributions	-	106,575	106,575
Investment earnings:			
Interest	5,127	-	5,127
Net investment earnings	5,127	-	5,127
Total additions	5,127	106,575	111,702
Deductions:			
Benefits	335,600	-	335,600
Total deductions	335,600	-	335,600
Excess (deficiency) of total additions over (under) total deductions	(330,473)	106,575	(223,898)
Cash and investment fund balance - beginning	722,543	-	722,543
Cash and investment fund balance - ending	\$ 392,070	\$ 106,575	\$ 498,645
Net assets:			
Cash and investments	\$ 392,070	\$ 106,575	\$ 498,645
Total net assets - cash and investment basis held in trust	\$ 392,070	\$ 106,575	\$ 498,645

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Donations</u>	<u>Education Foundation Grants</u>	<u>Educational Technology Grants</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 57,681	\$ 70,000	\$ -	\$ 127,681
Total additions	<u>57,681</u>	<u>70,000</u>	<u>-</u>	<u>127,681</u>
Deductions:				
Instruction	<u>106,861</u>	<u>56,272</u>	<u>-</u>	<u>163,133</u>
Excess (deficiency) of total additions over (under) total deductions	(49,180)	13,728	-	(35,452)
Cash and investment fund balance - beginning	<u>99,531</u>	<u>43,693</u>	<u>4,948</u>	<u>148,172</u>
Cash and investments - June 30	<u>\$ 50,351</u>	<u>\$ 57,421</u>	<u>\$ 4,948</u>	<u>\$ 112,720</u>
Net assets:				
Cash and investments	<u>\$ 50,351</u>	<u>\$ 57,421</u>	<u>\$ 4,948</u>	<u>\$ 112,720</u>
Total net assets - cash and investment basis held in trust	<u>\$ 50,351</u>	<u>\$ 57,421</u>	<u>\$ 4,948</u>	<u>\$ 112,720</u>

ZIONSVILLE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	<u>Donations</u>	<u>Education Foundation Grants</u>	<u>Educational Technology Grants</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 115,708	\$ 71,684	\$ 168	\$ 187,560
Total additions	<u>115,708</u>	<u>71,684</u>	<u>168</u>	<u>187,560</u>
Deductions:				
Instruction	<u>124,203</u>	<u>97,760</u>	<u>-</u>	<u>221,963</u>
Excess (deficiency) of total additions over (under) total deductions	(8,495)	(26,076)	168	(34,403)
Cash and investment fund balance - beginning	<u>50,351</u>	<u>57,421</u>	<u>4,948</u>	<u>112,720</u>
Cash and investments - June 30	<u>\$ 41,856</u>	<u>\$ 31,345</u>	<u>\$ 5,116</u>	<u>\$ 78,317</u>
Net assets:				
Cash and investments	<u>\$ 41,856</u>	<u>\$ 31,345</u>	<u>\$ 5,116</u>	<u>\$ 78,317</u>
Total net assets - cash and investment basis held in trust	<u>\$ 41,856</u>	<u>\$ 31,345</u>	<u>\$ 5,116</u>	<u>\$ 78,317</u>

ZIONSVILLE COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 13,166,403
Buildings	181,050,908
Improvements other than buildings	11,300
Machinery and equipment	9,027,176
Construction in progress	<u>3,028,174</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 206,283,961</u></u>

ZIONSVILLE COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Lease Rental of 1998 Capital Appreciation Bonds	\$ 545,017	\$ -
Lease Rental of 1999 Capital Appreciation Bonds	2,661,989	-
Lease Rental of 2000 Capital Appreciation Bonds	459,631	-
Lease Rental of 2002 Capital Appreciation Bonds	5,501,138	-
1999 Refunding Bonds	2,095,000	2,174,000
2001 Refunding Bonds	27,535,000	3,390,000
Lease Rental of 2003A	3,170,000	128,000
Lease Rental of 2003Z	5,862,853	491,500
Lease Rental of 2005A	63,210,000	3,557,500
Lease Rental of 2005Z	49,635,054	2,628,000
Refunding of 2005Z	17,530,000	2,647,000
Refunding of 2007	27,880,000	1,404,500
Refunding of 2009	19,575,000	864,500
Bonds payable:		
General obligation bonds:		
2004 Pension Bonds	<u>7,560,000</u>	<u>754,477</u>
Total governmental activities debt	<u>\$ 233,220,682</u>	<u>\$ 18,039,477</u>

ZIONSVILLE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

We noted the following significant deficiency in the internal control system of Zionsville Community Schools relating to financial transactions and reporting:

School Corporation Officials have not been able to prepare a complete reconciliation of the depository balance with the financial statement balance for either fiscal year end. Reconciliations had been prepared in the first year; however, the fiscal year-end depository reconciliation was prepared using a total fund balance that was \$1,044,919.05 higher than the amount reported in the financial statements. Reconciliations in the second year had not been completed beyond July of 2008. At the start of the audit, reconciliations had not been completed for ten months. Financial information reported to the Indiana Department of Education (IDOE) was not reflective of any information originally presented for audit. Oversight of the complete process did not appear to occur.

We believe that the above significant deficiency is a material weakness because transaction totals reported to the IDOE were not materially reflective of the final activity presented for audit.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS

The School Corporation began using a new computerized accounting system in August of 2008. School Corporation Officials submitted a request for approval of the forms provided by the system to the State Board of Accounts. The State Board of Accounts gave conditional approval for these forms. However, School Corporation Officials were unable to provide for audit any form that would take the place of the Fund Ledger and Ledger of Receipts(form 508) or the Ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances (form 512).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ZIONSVILLE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the following funds were overdrawn at June 30, 2009:

<u>Fund Name</u>	<u>Amount</u>
General	\$ 1,914,351
Technology	139
Special Education Stimulus Grant	50,365

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances, after July of 2008, were not complete. The staff recreated accounting records and bank reconciliations for each month while the audit was in progress. At the completion of the audit, the reconciliation for June 30, 2009, remains out of balance, with the bank balance being \$15,129.36 higher than the record balance.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE ZIONSVILLE COMMUNITY SCHOOLS, BOONE COUNTY, INDIANA

Compliance

We have audited the compliance of the Zionsville Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the school board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 9, 2010

ZIONSVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education National School Lunch Program	10.555	0630	\$ 250,072	\$ 270,962
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010	07-0630 08-0630 09-0630	44,643 184,710 -	- 60,295 116,140
Total for program			<u>229,353</u>	<u>176,435</u>
Pass-Through Metropolitan School District of Wayne Township, Marion County Spcecial Education - Grants to States	84.027	14208-063-PN01 14209-063-PN01	634,715 -	- 829,005
Total for program			<u>634,715</u>	<u>829,005</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	08-0630 09-0630	11,105 -	- 4,663
Total for program			<u>11,105</u>	<u>4,663</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298	09-0630	-	6,098
Pass-Through Indiana Department of Education English Language Acquisition Grants	84.365	FY 07-08	81	-
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	07-0288 08-0630	17,086 -	- 47,120
Total for program			<u>17,086</u>	<u>47,120</u>
Pass-Through Indiana Department of Education ARRA - Special Education Grants to States, Recovery Act	84.391	FY 08-09	-	50,365
Total for federal grantor agency			<u>892,340</u>	<u>1,113,686</u>
Total federal awards expended			<u>\$ 1,142,412</u>	<u>\$ 1,384,648</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ZIONSVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Zionsville Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
National School Lunch Program	10.555	\$ 80,933	\$ 67,183

ZIONSVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.555	National School Lunch Program
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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ZIONSVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FEDERAL FINDING 2009-1, INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING

We noted the following significant deficiency in the internal control system of Zionsville Community Schools relating to financial transactions and reporting:

The School Officials have not been able to prepare a complete reconciliation of the depository balance with the financial statement balance for either fiscal year end. In the first year, reconciliations had been prepared; however, the fiscal year-end depository reconciliation was prepared using a total fund balance that was \$1,044,919.05 higher than the amount reported in the financial statements. In the second year, reconciliations had not been completed beyond July of 2008. At the start of the audit engagement, reconciliations had not been completed for ten months. Financial information reported to the Indiana Department of Education (IDOE) was not reflective of any information originally presented for audit. Oversight of the complete process did not appear to occur.

We believe that the above significant deficiency is a material weakness because transaction totals reported to the IDOE were not materially reflective of the final activity presented for audit.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Officials establish a system of controls to track account balances and reconcile to the depository balance, even if the information is not available from the computerized accounting system. We also recommended the School Officials contact IDOE regarding correction of financial information previously submitted.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ZIONSVILLE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Zionsville Community Schools

900 Mulberry Street • Zionsville, Indiana 46077 • Phone: 317-873-2858 Fax: 317-873-8003 •

www.zcs.k12.in.us

Executive Leadership Team

SCOTT ROBISON, Ph.D., *Superintendent of Schools*
ROBERT BOSTWICK, M.S., *Executive Director of Operations*
MICHAEL SHAFER, C.P.A., *Chief Financial Officer*
CATHY FUELLING, M.S., *Director of Unified Student Services*



Board of School Trustees

JON CRAVENS, B.S., *President*
ROBERT WINGERTER, C.P.A., J.D., *Vice-President*
MARK ENGLERT, J.D., *Secretary*
JAMES LONGEST, PE, PLS, *Member*
JANE BURGESS, M.Ed., *Member*

March 10, 2010

CORRECTIVE ACTION PLAN – REGARDING INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

During the recently completed audit by the Indiana State Board of Accounts, the auditors noted that a significant deficiency existed in regard to the internal control system of Zionsville Community Schools. This condition resulted from our transition in mid-2008 to a new computerized accounting system. This new system failed to operate in an acceptable manner, and did not provide proper reports and other required records and output data in an accurate and timely manner. Numerous repeated attempts made by our staff to have this situation remedied by the software system provider and its parent company, and apparent efforts at remediation and correction by the vendors involved, did not sufficiently resolve the numerous chronic problems.

Accordingly, it is our plan to take the following affirmative steps to correct the condition noted in the audit:

1. Between the end of the audit period and the date of the beginning of the audit fieldwork, we hired one new accountant for the school corporation's business office. This new staff member has been assigned certain tasks and activities which provide enhanced internal controls and improved segregation of duties within the office. This additional accountant also now provides a second level of review and quality control for our bank reconciliation and financial reporting processes and significantly assists with coping with the unacceptable situation created by the inadequate accounting software.
2. We have already begun to formulate and plan the execution of an exit strategy in regard to the current accounting software system.
3. We shall select a new computerized accounting system from among those vendors who have successfully demonstrated their accounting software's ability to operate satisfactorily for public school corporations within the State of Indiana in accordance with all applicable state and federal requirements and particularly in conformance to all regulations and guidelines promulgated by the Indiana State Board of Accounts.
4. As soon as practicable, we will migrate our financial recordkeeping to the new vendor's product.
5. We have already contacted the proper officials of the Indiana Department of Education and are awaiting their determination regarding what, if any, additional corrective actions are needed in regard to previously submitted reports.

We believe that the steps outlined above will provide the Zionsville Community Schools with enhancements and improvements to its internal control system after their completion such that the internal controls will meet or exceed the requirements, guidelines, and regulations of the Indiana State Board of Accounts and all other applicable state and federal agencies. We expect to complete all of the steps outlined above and to have a new accounting software system in place and operational as soon as possible, but not later July 1, 2010 under any condition.

Signed: Michael Shaper
Title: Treasurer

Date: March 9, 2010

Signed: [Signature]
Title: Superintendent

Date: March 9, 2010

ZIONSVILLE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2010, with Michael Shafer, Treasurer; and Scott Robison, Superintendent of Schools. The official response has been made a part of this report and may be found on pages 50 and 51.

Zionsville Community Schools

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JAMES LONGEST, PE, PLS, *Member*
JANE BURGESS, M.Ed., *Member*

March 15, 2010

Mr. Bruce Hartman, C.P.A., State Examiner
Indiana State Board of Accounts
Room E-418, 302 West Washington St.
Indianapolis, IN 46204

Dear Mr. Hartman:

Field Examiners from your staff have recently completed an audit of the Zionsville Community Schools. This was a routine biennial audit as provided for under IC 5-11-1-25. The field examiners who performed our audit were extremely courteous, professional, and helpful. We appreciate their efforts, and hope that you will convey our deepest thanks to them and to their supervisor.

Four proposed Audit Results and Comments were presented to us at the Exit Conference. Please accept this letter as our official response to the proposed Audit Results and Comments.

Three of the four Audit Results and Comments, those captioned "Internal Controls," "Prescribed Forms," and "Bank Account Reconciliations" all result from the attempt in mid-2008 to implement the use of a new computerized accounting system. However, this new system failed to operate in an acceptable manner, and did not provide proper reports and other required records and output data in an accurate and timely manner. Numerous repeated attempts made by our staff to have this situation remedied by the software system provider and its parent company, and those vendors' apparent efforts at remediation and correction over the ensuing eighteen months did not sufficiently resolve the numerous chronic problems.

It is our intention to seek full financial recourse against the vendors responsible for the failures of the software system, which is the direct source of the various problems and issues noted in the audit. However, due to the apparent likelihood that this effort will lead to litigation against one or more vendors, it is inadvisable for us at this time to elaborate further on the historical details of these matters or make additional comments in explanation of the problems we encountered and how these problems generated the conditions noted in the audit.

As stated in the separate Corrective Action Plan (incorporated herein by reference) which we have also prepared in response to the audit findings, we have already begun work on an exit

strategy to discontinue use of the software in question and to migrate our financial recordkeeping to a different computerized accounting system which will perform properly and will conform to all of the applicable laws, rules, regulations, and Indiana State Board of Accounts guidelines.

In regard to the Audit Results and Comment captioned "Overdrawn Cash Balances," we apparently did inadvertently over expend the Technology Fund by \$139 as a result of a bookkeeping error. However, the new procedures discussed in our Corrective Action Plan (see above) should prevent any recurrences of this or similar errors.

We note that the key issue involved with this Audit Results and Comment for both the General Fund and the Special Education Stimulus Grant Fund is the timing of the receipt of federal ARRA stimulus money. In June 2008, the Indiana Department of Education, acting under instruction by the legislature, substituted federal ARRA funds for state funds for the basic tuition support payment for that month. However, DOE issued instructions that the ARRA funds, even though they supplanted the state basic grant funds and were to be used for the same purposes as if they were a General Fund receipt, could not be receipted into the General Fund and were required to be kept in a separate fund. Coming as it did in the very last month of our fiscal year, and being received too late in the month for us to request Board authorization to make a transfer or to engage in other accounting maneuvers prior to June 30, 2008, we were unable to place this \$2.7 million payment in the General Fund. As a result the General Fund balance is an apparent negative amount of \$1.9 million, but should not be truly considered to be so if the accounting doctrine of "substance over form" is applied to this situation.

Similarly, we were originally given very direct instructions and an extremely tight timeline under which to expend the Special Education Stimulus Grant funds that we were to receive under the federal ARRA. Accordingly, we began expending these funds as directed, expecting timely reimbursement. However, we did not actually receive reimbursement in as timely a manner as we had anticipated given our original instructions, and were still awaiting payment from the State of Indiana to be sent to us through the pass-through LEA as of June 30, 2008. These funds have now been received.

We consider the situations described above concerning the federal ARRA stimulus funds to be a unique set of occurrences that are unlikely to happen again in the foreseeable future. However, should such events recur, we will make every possible effort to ensure that we comply with all applicable laws and regulations regarding those funds.

Signed: Michael Shafer
Title: Treasurer

Signed: Scott Peterson
Title: Superintendent