

**Independence Local
School District
Cuyahoga County, Ohio**

Audited Financial Statements

***For the Fiscal Year Ended
June 30, 2010***



Dave Yost • Auditor of State

Board of Education
Independence Local School District
7733 Stone Road
Independence, Ohio 44131

We have reviewed the *Independent Auditor's Report* of the Independence Local School District, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Independence Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 25, 2012

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Independence Local School District
For the year Ended June 30, 2010
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December 6, 2011

The Board of Education
Independence Local School District
7733 Stone Road
Independence, OH 44131

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Independence Local School District'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of the Independence Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independence Local School District
Independent Auditor's Report
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The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

The discussion and analysis of the Independence Local School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets of governmental activities increased \$1.3 million which represents a 9 percent increase from fiscal year 2009.
- ◆ Revenues for governmental activities totaled \$19.2 million in fiscal year 2010. Of this total, \$18.1 million or 94 percent consisted of general revenues while program revenues accounted for the balance of \$1.1 million or 6 percent.
- ◆ Total assets of governmental activities increased by \$.6 million which primarily includes cash and cash equivalent increase of \$1.2 million, taxes receivable increase of \$.4 million, and net capital asset decrease of \$1 million.
- ◆ Program expenses totaled \$17.9 million, of which, 6 percent were covered by program revenues. General revenues, provided by community support, covered the remaining 94 percent.
- ◆ Long term bonds and notes (net) decreased from \$15.6 million to \$15.1 million through principal payments made during the fiscal year.

Using this Annual Report

This annual report consists of the management's discussion and analysis, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Independence Local School District, the general fund is by far the most significant fund.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the readers that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, central, operation of non-instructional activities, operation of food services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The financial statements of the School District's major funds begin on page 14. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

Net Assets		
Governmental Activities		
	2010	2009
Assets		
Current and Other Assets	\$ 20,002,873	\$ 18,431,730
Capital Assets, Net	25,226,709	26,244,082
<i>Total Assets</i>	45,229,582	44,675,812
Liabilities		
Current Liabilities	12,972,729	12,882,888
Long-term Liabilities		
Due within One Year	528,720	556,144
Due in More Than One Year	15,744,464	16,590,001
<i>Total Liabilities</i>	29,245,913	30,029,033
Net Assets		
Invested in Capital Assets, net of Related Debt	10,497,485	11,064,690
Restricted For:		
Debt Service	2,248,832	1,894,739
Capital Outlay	302,073	352,322
Other Purposes	108,336	75,336
Unrestricted	2,826,943	1,259,692
<i>Total Net Assets</i>	\$ 15,983,669	\$ 14,646,779

Current assets increased \$1.6 million over fiscal year 2009. There was an increase of \$.6 million in delinquent taxes receivable and the timing of receipts to cover expenditures contributed to a \$1.2 million increase in cash. The decrease of \$1.0 in capital assets was depreciation exceeding the net of the current year capital asset additions and disposals.

Total liabilities decreased by \$.8 million, with long term liabilities making up most of that change. A combination of increases and decreases in current liabilities contributed to a decrease of less than \$90,000 while principal payments on long term liabilities amounted to \$.5 million. The overall position of the School District has improved as evidenced by the increase in net assets of \$1.3 million.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

Table 2
Changes in Net Assets
Governmental Activities

	2010	2009
Program Revenues		
Charges for Services	\$ 554,562	\$ 481,549
Operating Grants	534,218	358,074
General Revenue		
Property Taxes	14,775,861	15,980,244
Grants and Entitlements	3,065,660	2,770,175
Investments Earnings	13,489	46,753
Miscellaneous	273,957	225,992
<i>Total Revenues</i>	<u>19,217,747</u>	<u>19,862,787</u>
Program Expenses		
Instruction	8,607,518	9,060,678
Support Services:		
Pupils	803,912	703,939
Instructional Staff	2,012,414	2,058,358
Board of Education	188,288	224,299
Administration	997,450	1,036,404
Fiscal	618,962	537,945
Business	220,029	213,844
Operation and Maintenance of Plant	1,725,017	2,318,787
Pupil Transportation	921,802	873,157
Central	5,000	5,000
Operation of Non-Instructional Services	191,108	243,287
Food Service Operations	302,536	335,403
Extracurricular Activities	550,498	550,903
Interest and Fiscal Charges	736,323	746,483
<i>Total Program Expenses</i>	<u>17,880,857</u>	<u>18,908,487</u>
<i>Change in Net Assets</i>	1,336,890	954,300
<i>Net Assets Beginning of Year</i>	<u>14,646,779</u>	<u>13,692,479</u>
<i>Net Assets End of Year</i>	<u>\$ 15,983,669</u>	<u>\$ 14,646,779</u>

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

Governmental Activities

The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$18.1 million or 94 percent of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues, which equated to \$1.1 million or only 6 percent of total revenue.

There was a decrease of \$1.2 million in tax revenue from fiscal year 2009. This is attributable to the fluctuation in the taxes available at year end from the County from year to year. Property tax receivable amounts available at year end are recognized as revenue. This decrease was partially offset by an increase in unrestricted grants and entitlements of \$.3 million which is primarily due to the tax loss reimbursement due to the implementation of House Bill No. 66 that phases out the tax on tangible personal property. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years.

Instructional expenses comprise 48 percent of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff, administrative and operation and maintenance of plant, encompassed an additional 42 percent. The remaining 10 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and the food service program.

	<u>2010</u>
Instruction	\$ 8,607,518
Support Services	7,492,874
Other	<u>1,780,465</u>
Total	<u><u>\$ 17,880,857</u></u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost these services are supported by tax revenue and unrestricted State entitlements.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Governmental Activities				
Instruction:				
Regular	\$ 8,055,170	\$ 7,998,701	\$8,640,747	\$8,603,887
Special	400,001	301,326	286,681	254,254
Vocational	1,011	1,011	1,011	1,011
Student Intervention Services	135,053	135,053	129,480	129,480
Other	16,283	16,283	2,759	2,759
Support Services:				
Pupil	803,912	803,008	703,939	703,939
Instructional Staff	2,012,414	1,952,515	2,058,358	2,002,474
Board of Education	188,288	188,288	224,299	224,299
Administration	997,450	885,140	1,036,404	1,036,404
Fiscal	618,962	618,962	537,945	537,945
Business	220,029	220,029	213,844	213,844
Operation and Maintenance of Plant	1,725,017	1,670,793	2,318,787	2,257,318
Central	5,000	0	5,000	0
Pupil Transportation	921,802	916,749	873,157	873,157
Operation of Non-Instructional Services	191,108	(11,604)	243,287	12,771
Food Service Operations	302,536	23,922	335,403	74,673
Extracurricular Activities	550,498	335,578	550,903	394,166
Interest and Fiscal Charges	736,323	736,323	746,483	746,483
Total	\$17,880,857	\$16,792,077	\$18,908,487	\$18,068,864

The dependence upon the general revenues for governmental activities is apparent. 94 percent of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and “grant and entitlements not restricted to specific programs” are used to provide program services. The community, as a whole, is by far the primary supporter for the School District students.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18.6 million and expenditures of \$17.7 million. The net change in fund balances for the year was most significant in the building nonmajor fund with an increase of \$.6 million and in the major bond retirement fund, with an increase of \$.2 million. The general fund reported a net increase in fund balance of slightly over \$56,000.

The bond retirement fund balance increased \$.2 million as a result of the timing differences of paying debt services compared to the collections of resources to fund the costs.

The other governmental funds increased as a result of receiving \$.6 million in transfers from the general fund to cover negative fund balances related to construction costs in the building funds in prior years.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During fiscal 2010, the School District amended its general fund budget numerous times. The most significant changes were to increase the budget for capital outlay and decrease the budget for operation and maintenance of plant. For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenses but provide flexibility for site based decision and management.

For the general fund, the final budget basis revenue estimate totaled \$15.7 million, \$.3 million above the original budget estimates of \$15.4 million. Original and final budget expenditures were \$16.5 million and \$16.6 million, respectively. Other financing uses were originally estimated to be \$.1 million but the final budget reflects a \$.6 million increase in transfers out.

The School District's unencumbered ending balance totaled \$1,759,901, which was above the final budgeted amount of \$0. This was possible by the School District's ability to control overall operating costs under the final budget amounts, coupled with better than expected receipts as compared to the final budget revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the School District had \$25 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 values compared to 2009. All capital assets, except land, are reported net of depreciation. More detailed information is presented in Note 10 of the notes to the basic financial statements.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

Table 4
 Capital Assets at June 30
 (Net of Depreciation)
 Governmental Activities

	2010	2009
Land	\$ 147,099	\$ 147,099
Land Improvements	701,295	753,243
Buildings and Improvements	23,702,712	24,676,162
Furniture and Equipment	270,225	276,231
Vehicles	405,378	391,347
Total Capital Assets	\$ 25,226,709	\$ 26,244,082

In fiscal year 2010, the School District acquired \$.1 million in equipment and vehicles and recorded depreciation of \$1.2 million.

For fiscal year 2010, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2010, this amounted to \$186,284 for each set aside. For fiscal year 2010, the School District had qualifying disbursements or offsets exceeding both the capital and maintenance requirement and the textbook and instructional materials and supplies requirement.

Debt

At June 30, 2010 the School District has \$15.1 million in net bonds outstanding for construction of the new high school and conversion of the old high school into the middle school. More detailed information about the School District's outstanding debt is presented in Note 15 of the notes to the basic financial statements.

School District Outlook

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan.

The financial future of the School District improved between the end of fiscal years 2010 and 2009 when the general fund unencumbered cash balance increased to \$1,759,901 from \$1,539,565 in fiscal year 2009. The challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Due to a depressed economy and the foreclosure crisis, the School District has placed even more of a watchful eye on its spending. The November 2007 three-year emergency renewal operating levy was renewed with an increase of \$1,500,000 or 3.2 mils in February 2011 with collections beginning in 2012. Thus management must diligently plan expenses and monitor revenues from this levy, staying carefully within its timeframe. As a result of the challenges mentioned above, it is

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2010

imperative that the School District's management continues to carefully and prudently plan to provide the resources required to meet student needs over the next three years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact the Treasurer/Chief Financial Officer, at Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or e-mail at ekoehler@independence.k12.oh.us.

Independence Local School District

Statement of Net Assets

June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,363,571
Taxes Receivable	16,451,155
Intergovernmental Receivable	22,764
Deferred Charges	164,053
Inventory Held for Resale	1,330
Non-Depreciable Capital Assets	147,099
Depreciable Capital Assets, Net	25,079,610
<i>Total Assets</i>	<u>45,229,582</u>
Liabilities	
Accounts Payable	139,707
Accrued Wages and Benefits	1,129,965
Intergovernmental Payable	261,467
Accrued Interest Payable	55,619
Vacation Benefits Payable	114,916
Matured Compensated Absences Payable	46,144
Deferred Revenue	11,224,911
Long -Term Liabilities:	
Due Within One Year	528,720
Due In More Than One Year	15,744,464
<i>Total Liabilities</i>	<u>29,245,913</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,497,485
Restricted for:	
Debt Service	2,248,832
Capital Outlay	302,073
Other Purposes	108,336
Unrestricted	2,826,943
<i>Total Net Assets</i>	<u>\$ 15,983,669</u>

Independence Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Function/Program	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,055,170	\$ 56,469	\$ 0	\$ (7,998,701)
Special	400,001	0	98,675	(301,326)
Vocational	1,011	0	0	(1,011)
Student Intervention Services	135,053	0	0	(135,053)
Other	16,283	0	0	(16,283)
Support Services:				
Pupils	803,912	0	904	(803,008)
Instructional Staff	2,012,414	0	59,899	(1,952,515)
Board of Education	188,288	0	0	(188,288)
Administration	997,450	0	112,310	(885,140)
Fiscal	618,962	0	0	(618,962)
Business	220,029	0	0	(220,029)
Operation and Maintenance of Plant	1,725,017	54,224	0	(1,670,793)
Central	5,000	0	5,000	0
Pupil Transportation	921,802	0	5,053	(916,749)
Operation of Non-Instructional Services	191,108	1,000	201,712	11,604
Food Service Operations	302,536	228,699	49,915	(23,922)
Extracurricular Activities	550,498	214,170	750	(335,578)
Interest and Fiscal Charges	736,323	0	0	(736,323)
<i>Total Governmental Activities</i>	<u>\$ 17,880,857</u>	<u>\$ 554,562</u>	<u>\$ 534,218</u>	<u>(16,792,077)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				12,908,313
Debt Service				1,265,759
Capital Outlay				601,789
Grants and Entitlements not Restricted to Specific Programs				3,065,660
Investment Earnings				13,489
Miscellaneous				273,957
<i>Total General Revenues</i>				<u>18,128,967</u>
<i>Change in Net Assets</i>				1,336,890
<i>Net Assets Beginning of Year</i>				<u>14,646,779</u>
<i>Net Assets End of Year</i>				<u>\$ 15,983,669</u>

Independence Local School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,811,173	\$ 1,274,899	\$ 277,499	\$ 3,363,571
Taxes Receivable	14,265,317	1,499,497	686,341	16,451,155
Intergovernmental Receivable	22,764	0	0	22,764
Interfund Receivable	0	497,000	0	497,000
Inventory Held for Resale	0	0	1,330	1,330
<i>Total Assets</i>	<u>\$ 16,099,254</u>	<u>\$ 3,271,396</u>	<u>\$ 965,170</u>	<u>\$ 20,335,820</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 58,561	\$ 0	\$ 81,146	\$ 139,707
Accrued Wages and Benefits	1,102,905	0	27,060	1,129,965
Interfund Payable	0	0	497,000	497,000
Intergovernmental Payable	244,825	0	16,642	261,467
Matured Compensated Absences Payable	46,144	0	0	46,144
Deferred Revenue	13,135,430	1,380,059	631,045	15,146,534
<i>Total Liabilities</i>	<u>14,587,865</u>	<u>1,380,059</u>	<u>1,252,893</u>	<u>17,220,817</u>
Fund Balances				
Reserved for Encumbrances	40,962	0	25,132	66,094
Reserved for Property Taxes	1,152,651	119,438	55,296	1,327,385
Unreserved:				
Undesignated, Reported in:				
General Fund	317,776	0	0	317,776
Special Revenue Funds	0	0	42,024	42,024
Debt Service Fund	0	1,771,899	0	1,771,899
Capital Projects Funds	0	0	(410,175)	(410,175)
<i>Total Fund Balances</i>	<u>1,511,389</u>	<u>1,891,337</u>	<u>(287,723)</u>	<u>3,115,003</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,099,254</u>	<u>\$ 3,271,396</u>	<u>\$ 965,170</u>	<u>\$ 20,335,820</u>

Independence Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities*
 June 30, 2010

Total Governmental Fund Balances		\$ 3,115,003
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		25,226,709
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Delinquent Property Taxes	\$ 3,898,859	
Excess Costs	<u>22,764</u>	3,921,623
Long-term liabilities that are not due and payable in the current period and therefore, are not reported in the funds.		
Current Interest Serial Bonds	(3,681,000)	
Current Interest Term Bonds	(10,905,000)	
Capital Appreciation Bonds	(140,000)	
Accretion of Capital Appreciation Bonds	(253,165)	
Unamortized Bond Premium	<u>(167,277)</u>	(15,146,442)
Bond issuance costs will be amortized over the life of the bond on the statement of net assets.		164,053
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	(114,916)	
Accrued Interest Payable	(55,619)	
Compensated Absences	<u>(1,126,742)</u>	<u>(1,297,277)</u>
Net Assets of Governmental Activities		<u><u>\$ 15,983,669</u></u>

Independence Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 12,403,832	\$ 1,207,281	\$ 578,171	\$ 14,189,284
Intergovernmental	2,813,218	162,884	623,158	3,599,260
Interest	13,489	0	0	13,489
Tuition and Fees	112,330	0	17,789	130,119
Extracurricular Activities	61,239	0	61,761	123,000
Rentals	54,224	0	0	54,224
Gifts and Donations	0	0	750	750
Charges for Services	1,000	0	228,699	229,699
Miscellaneous	178,915	0	95,698	274,613
<i>Total Revenues</i>	<u>15,638,247</u>	<u>1,370,165</u>	<u>1,606,026</u>	<u>18,614,438</u>
Expenditures				
Current:				
Instruction:				
Regular	7,124,175	0	203,290	7,327,465
Special	312,765	0	90,652	403,417
Student Invention Services	135,053	0	0	135,053
Other	16,283	0	0	16,283
Support Services:				
Pupils	810,658	0	848	811,506
Instructional Staff	1,652,192	0	224,295	1,876,487
Board of Education	188,288	0	0	188,288
Administration	905,484	0	107,369	1,012,853
Fiscal	624,035	0	0	624,035
Business	173,355	0	46,674	220,029
Operation and Maintenance of Plant	1,427,385	0	299,685	1,727,070
Pupil Transportation	733,693	0	101,648	835,341
Central	0	0	5,000	5,000
Operation of Non-Instructional Services	0	0	194,786	194,786
Food Service Operations	400	0	300,113	300,513
Extracurricular Activities	445,201	0	100,350	545,551
Capital Outlay	343,333	0	0	343,333
Debt Service:				
Principal	0	450,000	0	450,000
Interest and Fiscal Charges	0	686,430	0	686,430
<i>Total Expenditures</i>	<u>14,892,300</u>	<u>1,136,430</u>	<u>1,674,710</u>	<u>17,703,440</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>745,947</u>	<u>233,735</u>	<u>(68,684)</u>	<u>910,998</u>
Other Financing Sources (Uses)				
Transfers In	0	4,970	737,496	742,466
Proceeds from the Sale of Capital Assets	574	0	0	574
Transfers Out	(690,466)	0	(52,000)	(742,466)
<i>Total Other Financing Sources (Uses)</i>	<u>(689,892)</u>	<u>4,970</u>	<u>685,496</u>	<u>574</u>
<i>Net Change in Fund Balance</i>	56,055	238,705	616,812	911,572
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,455,334</u>	<u>1,652,632</u>	<u>(904,535)</u>	<u>2,203,431</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,511,389</u>	<u>\$ 1,891,337</u>	<u>\$ (287,723)</u>	<u>\$ 3,115,003</u>

Independence Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds		\$ 911,572
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded additions in the current period.		
Capital Asset Additions	\$ 138,860	
Current Year Depreciation	(1,156,233)	(1,017,373)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	586,578	
Intergovernmental	(131)	
Excess Costs	16,862	603,309
Repayment of bond and note principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Current Interest Serial Bonds		450,000
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	465,517	
Increase in Vacation Benefits Payable	(26,242)	439,275
In statement of activities, interest is accrued and amortized on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in Accrued Interest	1,291	
Current Year Bond Premium Amortization	8,796	
Current Year Bond Issuance Costs Amortization	(8,628)	
Current Year Bond Accretion	(51,352)	(49,893)
Change in Net Assets of Governmental Activities		\$ 1,336,890

Independence Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$ 12,440,432	\$ 12,754,524	\$ 13,028,856	\$ 274,332
Intergovernmental	2,518,393	2,518,393	2,813,218	294,825
Interest	70,000	70,000	13,489	(56,511)
Tuition and Fees	124,850	124,850	112,330	(12,520)
Rentals	55,000	55,000	54,224	(776)
Extracurricular Activities	39,500	39,500	61,239	21,739
Customer Sales and Services	1,500	1,500	1,000	(500)
Miscellaneous	125,000	125,000	178,915	53,915
<i>Total Revenues</i>	<u>15,374,675</u>	<u>15,688,767</u>	<u>16,263,271</u>	<u>574,504</u>
Expenditures				
Current:				
Instruction:				
Regular	7,235,927	7,310,603	7,258,591	52,012
Special	336,222	342,809	295,739	47,070
Student Intervention Services	519,326	349,186	147,098	202,088
Other	5,000	5,000	16,283	(11,283)
Support Services:				
Pupils	835,804	915,893	809,311	106,582
Instructional Staff	1,888,243	1,866,776	1,711,505	155,271
Board of Education	275,320	275,320	211,130	64,190
Administration	1,161,225	1,056,771	1,003,091	53,680
Fiscal	638,356	665,000	663,548	1,452
Business	225,470	230,469	186,493	43,976
Operation and Maintenance of Plant	2,100,986	1,851,795	1,540,276	311,519
Pupil Transportation	801,675	810,750	784,680	26,070
Operation of Non-Instructional Services	675	675	400	275
Extracurricular Activities	486,830	526,830	453,552	73,278
Capital Outlay	0	343,500	343,333	167
Total Expenditures	<u>16,511,059</u>	<u>16,551,377</u>	<u>15,425,030</u>	<u>1,126,347</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,136,384)</u>	<u>(862,610)</u>	<u>838,241</u>	<u>1,700,851</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	574	574
Advances In	0	0	24,000	24,000
Transfers Out	(75,000)	(689,163)	(690,466)	(1,303)
Advances Out	(15,000)	(15,000)	0	15,000
Other Financing Uses	(50,000)	(20,779)	0	20,779
<i>Total Other Financing Sources (Uses)</i>	<u>(140,000)</u>	<u>(724,942)</u>	<u>(665,892)</u>	<u>59,050</u>
<i>Net Change in Fund Balance</i>	(1,276,384)	(1,587,552)	172,349	1,759,901
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,539,565	1,539,565	1,539,565	0
Prior Year Encumbrances Appropriated	47,987	47,987	47,987	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 311,168</u>	<u>\$ 0</u>	<u>\$ 1,759,901</u>	<u>\$ 1,759,901</u>

Independence Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 8,736	\$ <u>175,515</u>
Liabilities		
Undistributed Monies	0	\$ 163
Due to Students	0	<u>175,352</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 175,515</u>
Net Assets		
Held in Trust for Scholarships	<u>8,736</u>	
<i>Total Net Assets</i>	<u>\$ 8,736</u>	

Independence Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Scholarship
Additions	
Interest	\$ 0
Deductions	
Payments in Accordance with Trust Agreements	0
<i>Net Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	8,736
<i>Net Assets End of Year</i>	\$ 8,736

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Independence Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities staffed by a total of 101 certified and 63 non-certified employees who provide services to 1,108 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Independence Local School District, this includes general operations, food service and student related activities of the School District.

Parochial School Within the School District boundaries, St. Michael's School is operated through the Cleveland Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in the Lakeshore Northeast Ohio Computer Association (LNOCA), the Cuyahoga Valley Career Center, and the Ohio Schools' Council, which are defined as jointly governed organizations, the Suburban Health Consortium, which is a risk sharing pool and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan which is an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (“FASB”) to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*.”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

A. Basis of Presentation

The School District’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Fund The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student managed activities.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net assets. The statement of changes in fiduciary net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted,

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue within the basic financial statements.

Grants and entitlements received before the eligibility requirements are met and receivables that will not be collected within the available period have been reported as deferred revenue in the governmental fund financial statements.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “operating grants and contributions” program revenue account. Unused donated commodities are reported in the account “inventory held for resale” within the basic financial statements.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District’s records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

During fiscal year 2010, the School District’s investment was limited to STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2010.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$13,489, which includes \$5,661 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material or for the purchase and maintaining of capital assets of the School District. See Note 19 for additional information regarding set asides.

G. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when consumed. Inventories of the food service special revenue fund are stated at cost, which is determined on a first-in, first-out basis. Inventory consists of donated food and purchased food held for resale and is expensed when consumed.

H. Deferred Charges

Bond issuance costs are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method or bonds outstanding method.

I. Bond Premium

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the straight-line method since the results are not significantly different from the effective interest method or bonds outstanding method. Bond premiums are presented as an increase of the face amount of the bonds payable.

J. Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. All of the School District's capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-10 years
Vehicles	10 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave is paid.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However,

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and notes payable are recognized as a liability on the governmental fund financial statements when due.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily will be used for state and federal programs and school supplies.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither of these occurred in fiscal year 2010.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the function level within each fund. The Treasurer has been given the authority to allocate Board appropriations to the object levels within each function.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Accountability

The following funds had GAAP deficit balances at June 30, 2010:

<u>Nonmajor funds:</u>	<u>Fund Balance</u>
Building fund	\$ (496,999)
Food service fund	(26,191)
Fiscal stabilization fund	(1,057)

The building fund deficit is due to cash basis expenditures, in prior year(s), exceeding revenues and available resources. The other fund deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, rather than when accruals occur.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance

GAAP Basis	\$ 56,055
Net Adjustment for Revenue Accruals	625,024
Net Adjustment for Expenditure Accruals	(560,557)
Adjustment for Encumbrances	51,827
Budget Basis	<u>\$ 172,349</u>

Ohio Rev. Coded Section 5705.41(B) states that total that no subdivision or taxing unit is to expend money unless it has been appropriated. At June 30, 2010, other instruction in the general fund reported expenditures exceeding appropriations in the amount of \$11,283.

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Independence Local School District
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Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all uninsured public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, and per School District policy, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Undeposited Cash At year-end, the School District had no undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$3,539,182 and the bank balance was \$3,694,685. Of the bank balance:

1. \$1,041,608 of the bank balance was covered by depository insurance; and
2. \$2,653,077 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the School District. During the year, the School District's ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010. There is no maturity of the investment as the balance can be withdrawn at any time.

Credit Risk - The School District's investment at June 30, 2010 was in STAROhio, and is rated AAAM by Standard & Poor's, with a year ending balance of \$8,640.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer. At the end of fiscal year 2010, 100% of the School District's investments were in STAROhio.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Custodial Credit Risk - for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property tax revenue received in calendar year 2010 was levied after April 1, 2009, on the assessed valuation listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes measurable as of June 30, 2010 and for which there is an enforceable legal claim, and a delayed personal property settlement made in July. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred/unearned revenue, respectively.

The amount available as an advance at June 30, 2010 was \$1,152,651 in the general fund, \$119,438 in the bond retirement debt service fund and \$55,296 in the permanent improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 480,771,810	94.28%	\$ 469,842,430	97.32%
Public Utility Personal	11,424,750	2.24%	12,934,290	2.68%
Tangible Personal Property	17,732,900	3.48%	-	0.00%
Total	\$ 509,929,460	100.00%	\$ 482,776,720	100.00%
Tax Rate per \$1,000 of assessed valuation	\$ 31.40		\$ 31.40	

Note 7 - Receivables

Receivables at June 30, 2010, consisted of taxes, interfund (See Note 8), and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Interfund Balances

The account balances reported in the fund financial statements for “interfund receivable” and “interfund payable” as of June 30, 2010 are as follows:

Fund	Interfund Receivable	Interfund Payable
Bond Retirement fund	\$497,000	0
Nonmajor governmental funds	0	497,000
Total Governmental Funds	\$497,000	\$497,000

Interfund receivables and payables can result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

During the fiscal year, the School District issued a treasury investment in the amount of \$497,000, which was authorized under Chapter 133.29 of the Ohio Revised Code between the debt service and building capital projects fund. The purpose of this treasury investment was to finance the costs of constructing, furnishing and equipping a new high school and renovating, improving, furnishing and equipping existing school facilities and their sites. This note has a maximum maturity of 20 years which is June 18, 2028, with an interest rate of 1.00% per year paid annually.

Note 9 - Interfund Transfers

During the fiscal year the following transfers were made:

Fund	Transfer In	Transfer Out
General fund	\$0	\$690,466
Bond retirement fund	4,970	0
Nonmajor governmental funds:		
Permanent improvement fund	0	52,000
Building fund	661,496	0
Food service fund	45,000	0
District managed activities fund	22,000	0
Uniform supplies fund	800	0
Athletics fund	8,000	0
Title-V fund	200	0
Total Governmental Funds	\$742,466	\$742,466

The transfer to the bond retirement fund was to pay interest on debt. The purpose of the transfer from the permanent improvement fund to the building fund was to convert the outstanding balance of an advance between these two funds that the School District no longer intends to pay. The remaining transfers were made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$ 147,099	\$ 0	\$ 0	\$ 147,099
<i>Total Capital Assets, nondepreciated</i>	147,099	0	0	147,099
<i>Depreciable Capital Assets</i>				
Land Improvements	1,235,279	0	0	1,235,279
Building and Improvements	33,069,573	0	0	33,069,573
Furniture and Equipment	596,958	33,010	(12,295)	617,673
Vehicles	1,453,166	105,850	(125,016)	1,434,000
<i>Total Capital Assets, being depreciated</i>	36,354,976	138,860	(137,311)	36,356,525
Less Accumulated Depreciation				
Land Improvements	(482,036)	(51,948)	0	(533,984)
Building and Improvements	(8,393,411)	(973,450)	0	(9,366,861)
Furniture and Equipment	(320,727)	(39,016)	12,295	(347,448)
Vehicles	(1,061,819)	(91,819)	125,016	(1,028,622)
<i>Total Accumulated Depreciation</i>	(10,257,993)	(1,156,233)	137,311	(11,276,915)
<i>Total Capital Assets, being depreciated, Net</i>	26,096,983	(1,017,373)	0	25,079,610
<i>Governmental Activities, Capital Assets, Net</i>	\$ 26,244,082	\$ (1,017,373)	\$ 0	\$ 25,226,709

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,041,193
Vocational	1,011
Support Services:	
Instructional Staff	9,662
Operation and Maintenance of Plant	837
Pupil Transportation	92,452
Operation of Food services	6,131
Extracurricular Activities	4,947
	<hr/>
Total Depreciation expense	\$ 1,156,233

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, these risks were covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The Sheakley Group provides administrative, cost control and actuarial services to the GRP.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

C. Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 17) to provide medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Classified employees and administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment. Classified employees and administrators may carryover a maximum of five days at fiscal year end. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work-days per contract. Upon retirement, payment is made for thirty five percent of the total sick leave accumulated up to a maximum of 75 days for teachers, administrators and classified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance. The coverage varies with employees depending on negotiated agreements and benefit packages.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The School’s contributions to SERS for pension obligations for the years ended June 30, 2010, 2009 and 2008 were \$127,562, \$248,700 and \$194,810, respectively; 93 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$10,262 represents the unpaid contribution for fiscal year 2010, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement

Independence Local School District
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For the Fiscal Year Ended June 30, 2010

Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$985,242, \$998,283 and \$914,516, respectively; 88 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$4,704 made by the School and \$3,360 made by the plan members. \$123,451 represents the unpaid contribution for fiscal year 2010, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,591, \$134,336 and \$70,608 respectively; 93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76 percent. The School's contributions for the years ended June 30, 2010, 2009 and 2008 were \$7,586, \$20,520, and \$14,037, respectively; 93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$75,863, \$76,791 and \$70,347, respectively; 88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Long Term Obligations

The original issue date, interest rate, original issue amount and date of maturity for each of the School District's outstanding bonds and notes are as follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>				
School Improvement	2003	2.00 - 5.25%	\$ 17,860,000	December 1, 2030
Capital Appreciation	2003	14.4980%	140,000	December 1, 2011

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

A schedule of changes in bonds and other long-term obligations of the School District during fiscal year 2010 follows:

	Amounts Outstanding 6/30/09	Additions	Reductions	Amounts Outstanding 6/30/10	Amounts Due in One Year
<i><u>General Obligation Bonds:</u></i>					
School Improvement					
Current Interest Serial Bonds	\$ 4,131,000	\$ 0	\$ 450,000	\$ 3,681,000	\$ 470,000
Current Interest Terms Bonds	10,905,000	0	0	10,905,000	0
Capital Appreciation Bonds	140,000	0	0	140,000	0
Issuance Premiums	176,073	0	8,796	167,277	0
Accretion on CAB's	201,813	51,352	0	253,165	0
<i>Total General Obligation Bonds</i>	<u>15,553,886</u>	<u>51,352</u>	<u>458,796</u>	<u>15,146,442</u>	<u>470,000</u>
<i><u>Other Long-term Liabilities:</u></i>					
Compensated Absences	1,592,259	99,507	565,024	1,126,742	58,720
<i>Total Other Long-term Liabilities</i>	<u>1,592,259</u>	<u>99,507</u>	<u>565,024</u>	<u>1,126,742</u>	<u>58,720</u>
<i>Total Governmental Long-term Obligations</i>	<u>\$ 17,146,145</u>	<u>\$ 150,859</u>	<u>\$ 1,023,820</u>	<u>\$ 16,273,184</u>	<u>\$ 528,720</u>

Compensated absences will be paid from the fund in which the employee is paid, which in prior years has primarily been the general fund. General obligation debt will be paid from the bond retirement debt service fund.

School Improvement General Obligation Bonds – On January 15, 2003, the School District issued \$18,000,000 in voted general obligation bonds for the purpose of constructing, furnishing and equipping a new high school and renovating, improving, furnishing and equipping existing school facilities and their sites. The balance of the construction funds is to be contributed by the City of Independence in return for the City's joint use of certain facilities. The bond issue included current interest and capital appreciation bonds in the amount of \$17,200,000 and \$140,000, respectively. The bonds were issued at a premium of \$233,248. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2018 (with the balance of \$650,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2018	\$615,000

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2020 (with the balance of \$715,000 to be paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$680,000

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, of each of the years 2022 through 2025 (with the balance of \$910,000 to be paid at stated maturity on December 1, 2026) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2022	\$755,000
2023	790,000
2024	830,000
2025	870,000

The term bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, of each of the years 2027 through 2029 (with the balance of \$1,095,000 to be paid at stated maturity on December 1, 2030) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2027	\$ 950,000
2028	1,000,000
2029	1,045,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The current interest bonds maturing after December 1 in 2013 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2013 at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The capital appreciation bonds will mature on December 1, 2011. The maturity amount of the bonds is \$485,000. In fiscal year 2010, \$51,352 was accreted.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 470,000	\$ 670,565	\$ 0	\$ 0	\$ 0	\$ 0
2012	0	662,575	0	0	140,000	345,000
2013	485,000	652,875	0	0	0	0
2014	505,000	633,454	0	0	0	0
2015	525,000	613,232	0	0	0	0
2016 - 2020	1,696,000	1,704,055	1,265,000	997,081	0	0
2021 - 2025	0	0	3,770,000	1,866,688	0	0
2026 - 2030	0	0	4,775,000	847,994	0	0
2031	0	0	1,095,000	26,006	0	0
Totals	\$ 3,681,000	\$ 4,936,756	\$ 10,905,000	\$ 3,737,769	\$ 140,000	\$ 345,000

Note 16 - Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by sixteen school districts. The primary function of LNOCA is to provide data services to the sixteen school districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance, student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software package used. Independence Local School District paid \$49,165 to LNOCA during fiscal year 2010. Financial information can be obtained by contacting LNOCA, 5700 West Canal Road, Valley View, Ohio 44125.

Cuyahoga Valley Career Center The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Ohio Schools' Council The Ohio Schools' Council (OSC) is a jointly governed organization among ninety-one School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The OSC's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2010, the School District paid \$1,075 to the OSC as a program fee. Financial information can be obtained by contacting David A. Cottrell, Executive Secretary/Treasurer, Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the OSC's electric purchase program, which was implemented during fiscal year 1998 and the natural gas program that was implemented during fiscal year 2000.

The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

Note 17 – Public Entity Risk Pools

A. Risk Sharing Pool

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their school district. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

B. Insurance Purchasing Pool

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OASBO. The Executive Director of OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Liability Insurance

The School District contracted with the following companies for insurance: the Indiana Insurance Company for property, crime and inland marine, the Travelers Property Casualty for boiler and the Ohio Casualty Insurance Company for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$5,000 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$1,000 deductible. The employee dishonesty insurance has coverage up to \$50,000 with a \$500 deductible.

Professional liability is protected by the Indiana Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and with a \$2,500 deductible. Vehicles are also covered by the Indiana Insurance Company and hold a \$250 and \$500 deductible for comprehensive and collision, respectively. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past five years and there have been no significant reductions in insurance coverage from last year.

Note 18 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is not party to any significant or material legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the changes in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by the State statute.

	Textbook Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Cash Balance as of June 30, 2009	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2009	(2,881,166)	0
Current Year Set-aside Requirement	186,284	186,284
Qualifying Disbursements	(568,535)	(224,879)
Total	<u>\$ (3,263,417)</u>	<u>\$ (38,595)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (3,263,417)</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future years.

Note 20 – Subsequent Events

In February 2011, the School District’s November 2007 three-year emergency renewal operating levy was renewed with an increase of \$1,500,000 or 3.2 mils. Collections will begin in 2012.

On November 16, 2011, the School District entered into a contract with H.E.A.T. Total Facility Solutions in the amount of \$1,255,217 for projects related to the School District’s implementation of House Bill 264.

In fiscal year 2012, the Board of Education also authorized issuance of general obligation bonds not to exceed \$13,635,000 for the purpose of refunding at a lower interest cost certain outstanding School Improvement Bonds, Series 2003.

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December 6, 2011

The Board of Education
Independence Local School District
7733 Stone Road
Independence, OH 44131

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independence Local School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Independence Local School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Independence Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independence Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independence Local School District's internal control over financial reporting.

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

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

Independence Local School District
Independent Auditor's Report on Internal Control over
Financial Reporting and On Compliance and Other Matters
Based On an Audit of Financial Statements Performed In
Accordance with Government Auditing Standards
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

We noted certain matters that we reported to management of Independence Local School District in a separate letter dated December 6, 2011.

This report is intended solely for the information and use of management, the Board of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

Independence Local School District
Schedule of Prior Audit Findings
June 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Rev. Code § 5705.10(H), negative fund balance indicates money from one fund used to cover expenses of another fund	Yes	
2009-002	Ohio Rev. Code § 5705.391 (A), not updating five year forecast in consideration of negative fund balances	Yes	
2009-003	Bank balance and book balance do not reconcile on a monthly basis	Yes	

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Dave Yost • Auditor of State

INDEPENDENCE LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2012