

**INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State
Betty Montgomery**

INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 26, 2006. 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' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 26, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated May 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Independence Local School District
Cuyahoga County
Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required
by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 26, 2006

**INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-001
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Noncompliance Citation

Appropriations Exceeding Estimated Revenues

Ohio Revised Code § 5705.39 provides, in part, that the total appropriations from each fund should not exceed the total estimated revenue. Ohio Revised Code § 5705.39(A)(2) allows all subdivisions to request amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code § 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code § 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Ohio Revised Code § 5705.39 provides, in part, that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The following funds had appropriations in excess of total estimated resources as of June 30, 2005:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Excess of Appropriations Over Total Estimated Resources</u>
Building capital project	\$939,179	\$1,952,166	\$(1,012,987)
Auxiliary services	189,417	221,946	(32,529)
Title V	15,932	18,817	(2,885)

We recommend the District monitor appropriations and amend the certificate of estimated resources to ensure that appropriations do not exceed total estimated resources.

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

**Comprehensive
Annual Financial Report**

For the Fiscal Year Ended June 30, 2005

Prepared by

Treasurer's Office
Gerald Zelenka
Treasurer

Independence Local School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005
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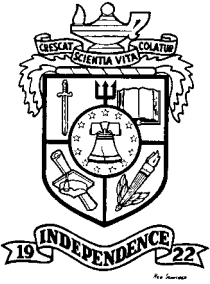
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Introductory Section



INDEPENDENCE LOCAL SCHOOLS

Educational Administrative Center • 7733 Stone Road
Independence, Ohio 44131 • Fax# (216) 642-3482

May 26, 2006

David J. Laurenzi
Superintendent
(216) 642-5850

Board of Education Members and Residents of the Independence Local School District:

Gerald Zelenka
Treasurer
(216) 642-5854

We are pleased to submit to you the eighth Comprehensive Annual Financial Report (CAFR) of the Independence Local School District (the School District). This report provides full disclosure of the financial operation of the School District for the fiscal year ended June 30, 2005. This CAFR includes an opinion from the Auditor of the State of Ohio and conforms to generally accepted accounting principles as applicable to government entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide taxpayers of the School District with comprehensive financial data in a format that will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to the Independence Public Library, major taxpayers, financial rating services and other interested parties.

Richard McDermott
Director of
Curriculum
& Instruction
(216) 642-5852

The Comprehensive Annual Financial Report is presented in three sections as follows:

Rick Wherley
Technology
Coordinator
(216) 642-5884

1. The Introductory Section contains a Table of Contents, Letter of Transmittal, Board of Education and Appointed Officials, an Organizational Chart of the School District, and the Government Finance Officer's Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year ending 2004.
2. The Financial Section begins with the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes, which provide an overview of the School District's financial position and operating results, the Combining Statements by Fund Type and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents social and economic data, financial trends, and the fiscal capacity of the School District.

Al Yano
Service Manager
(216) 642-5853

School District Organization

The School District is one of the 614 school districts in the State of Ohio and one of the 33 school districts in Cuyahoga County. The School District provides education to 1,158 students in grades K-12 and preschool. The School District is located in northeast Ohio, ten miles south of downtown Cleveland. Geographically, the School District encompasses the entire City of Independence, which is approximately 10 square miles.

The students enrolled in the School District attend classes in one high school (9-12), one middle school (5-8), and one elementary school (K-4). Vocational students attend the Cuyahoga Valley Career Center, which is located in Brecksville and operates as a separate entity from the School District. An elected five-member Board of Education serves as the taxing authority and policy maker for the School District.

Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in Division (D) of Section 3301.07 of the Ohio Revised Code, to provide educational services authorized and mandated by State and Federal agencies.

Reporting Entity

The School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments, and organizations making up the School District (the primary government) and its potential component units.

The City of Independence, Parent Teacher Organization, the Booster Clubs, Independence Educational Foundation and the St. Michael Parochial School have not been included in the accompanying financial statements. Their Boards are not appointed by the School District, nor are their organizations fiscally dependent on the School District.

The Lakeshore Northeast Ohio Computer Association, the Cuyahoga Valley Career Center and the Ohio Schools' Council are reported as jointly governed organizations and the Suburban Health Consortium as a risk sharing pool. The School District also participates in the Ohio Association of School Business Official's Workers' Compensation Group Rating Plan, an insurance purchasing pool. These entities are discussed further in Notes 16 and 17 of the basic financial statements.

Economic Condition and Outlook

While most of the School District is located in a residential area, there is heavy reliance on commercial development along its Rockside Road Corridor. The 3-mile corridor has more than 4 million square feet of office space, over 70 percent of which is Class A. In addition, the City of Independence has the lowest real estate tax rate of any city in the County and more than 50 percent of the largest suburban commercial properties in Cleveland call the City of Independence home. Furthermore, more than half of the 1,350 businesses in the City are in the service, financial, insurance or real estate trade. The City boasts almost 1,884 hotel rooms, 36 restaurants and an employee friendly suburban environment. Future economic development is planned for the corridor's northwest quadrant. However, a flat economy has delayed all new developments.

Finally, the City is considered the business crossroad of northeast Ohio due to its accessibility to every major residential suburb. The airport is just 15 miles west, downtown Cleveland just 10 miles north and Akron 30 miles south.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that while the State had made some progress, the current funding system for schools still had not met constitutional requirements. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...” The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Major Initiatives

For the year the School District has a very cautious outlook for the future. The School District needed to place a tax levy on the ballot in 2004. Rising costs and flat revenues necessitated the need for this levy. On the other hand, construction of a new 600-student high school, field house, community rooms and the renovation of the current high school into a middle school are nearing completion. Total cost for this project is \$33,000,000.

Primary accomplishments for 2005 were as follows:

- Received the Certificate of Excellence in Financial Reporting from the Government Finance Officer’s Association (GFOA), for the seventh consecutive year.
- The School District continues to perform well on the State established Local Report Card. The 2004 Local Report Card reflected having met 20 of the 23 State criteria, placing the School District in the “effective” category. Many of the areas already meeting state minimum standards showed continuing growth well above the 75 percent level.
- Student and teacher access to internet services and overall technology usage continues to improve on an already strong record. Our ratio of students to computers, recommended as 5:1 by national standards, has already reached 2:1. Teachers, through internal professional development opportunities, continue to expand their and students’ skills.
- The successful implementation of ProgressBooks, a software that allows teachers to maintain grade books on the Web and allows students/parents access to the student’s progress.
- A full range of extracurricular programs and activities are available to students beginning in the elementary grades. A complete competitive athletic program is offered beginning in the 7th grade at the Middle School.
- Talented and gifted instruction is available to all students.

Financial Information

Internal Accounting and Budgetary Control In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the costs of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation is first adopted, by statute, a permanent appropriation measure must be adopted upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on the final assessed values and tax rates. The School District adopts the permanent appropriation measure in September.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled at the function level for each fund. All purchase order requests must be approved by a building or department administrator, the Superintendent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests, which exceed the available appropriation, are rejected until additional appropriations are secured.

The accounting system used by the School District provides interim financial reports which detail year to date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date. Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an on line inquiry system is available for each building or department. As an additional safeguard, a blanket bond covers all employees and a separate higher limit bond covers certain individuals in policy-making roles.

The basis of accounting and the various funds utilized by the Independence Local School District are fully described in Note 2 of the financial statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

Financial Condition The School District has prepared financial statements following GASB Statement 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." GASB 34 creates new basic financial statements for reporting on the School District's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District did not have any business-type activities during the reporting period.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by the law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Discussion and Analysis of the School District. This discussion appears after the Independent Accountants' Report in the financial section of this report. The Management Discussion and Analysis provides an assessment of the School District's finances for 2005.

Cash Management

The School District pursues an aggressive cash management program by expediting the receipt of revenues and prudently depositing and investing available cash balances. Both budgetary and payroll warrants are covered on a "just in time" basis through special clearing accounts set up by the depository. Cash not currently needed to cover these warrants is maintained in the School District's investment accounts. Interest revenue in the governmental funds was \$67,384 for the year ending June 30, 2005, with \$64,654 being credited directly to the general fund.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must be equal to at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. During fiscal year 2005, the School District's investments were limited to STAROhio, non-negotiable Certificates of Deposit and overnight repurchase agreements.

Risk Management

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 \$2,500 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$250 deductible. The boiler insurance coverage is \$30,000,000 per accident with a \$1,000 deductible and the employee dishonesty insurance has coverage up to \$255,000 with a \$1,000 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 \$1,000 deductible. Vehicles are also covered by the Indiana Insurance Company and hold a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

The School District uses the State Workers' Compensation plan and pays the premium based on a rate per each \$100 of salaries. The School District is a member of Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool.

Independent Audit

State statute requires the School District to be audited at least every two fiscal years by an independent auditor. Independent auditor Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2005. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. The opinion appears at the beginning of the financial section of this report. Pursuant to state statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all school districts in Ohio. The District adopted and has been in conformance with that system beginning with its financial report for 1979.

Awards

GFOA Certificate of Achievement the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its comprehensive annual financial report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose content conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review.

Acknowledgements

The publication of this report significantly increases the accountability of the School District to the taxpayers. This accomplishment would not have been possible without the support of the School Treasurer's Office and various administrators and employees of the School District. Assistance of the County Auditor's office and staff and other agencies made possible the fair presentation of statistical data.

Lastly, our thanks are extended to the Board of Education for their support in recognizing the importance of continuously improving our financial accountability to our citizens by reporting under GASB 34.

Respectfully submitted,

Gerald Zelenka
Treasurer/Chief Financial Officer

David J. Laurenzi
Superintendent

Independence Local School District

Principal Officials

June 30, 2005

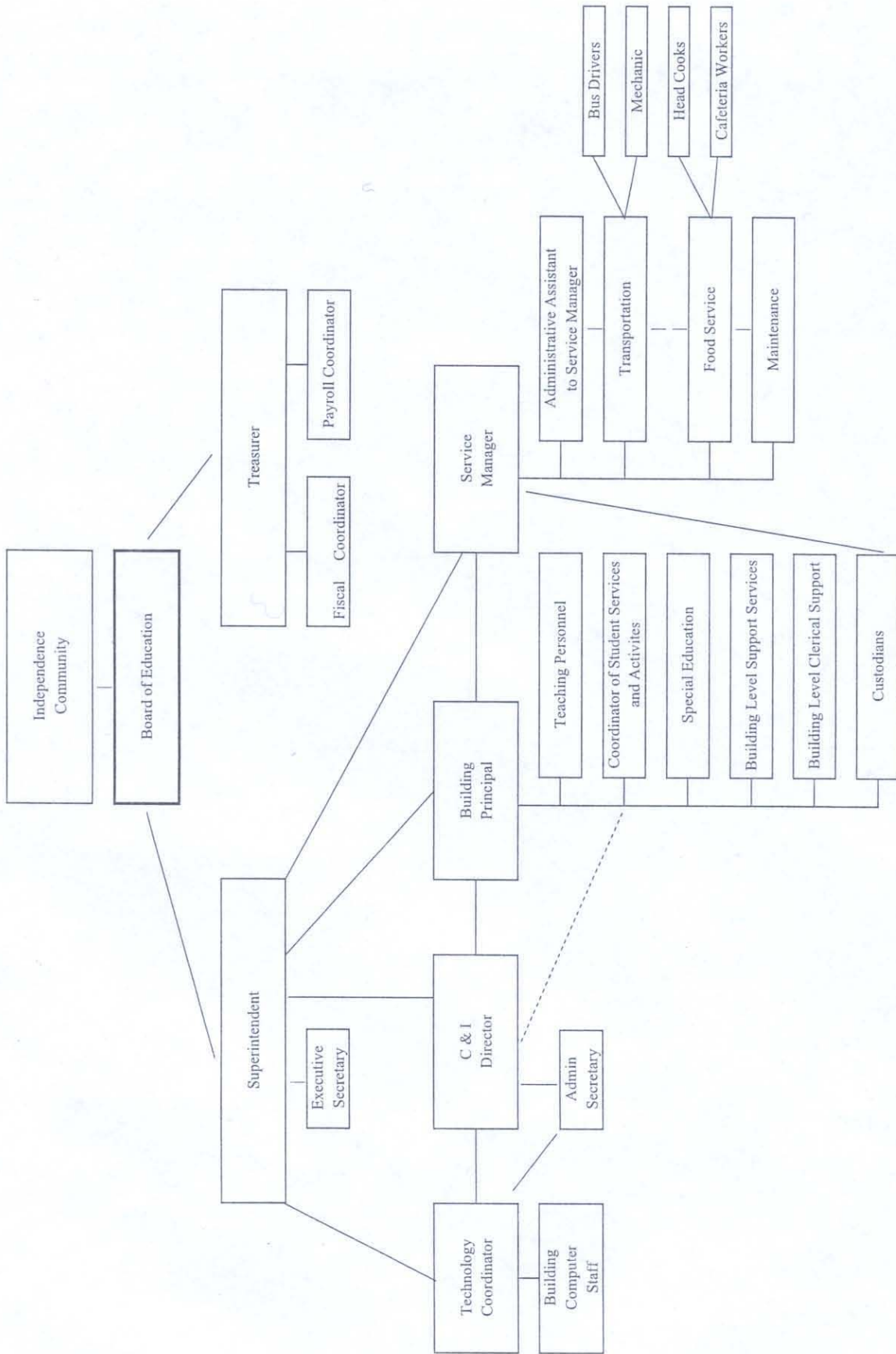
Board of Education

Ms. Kathleen Kapusta.....President
Ms. Lynne Laski Vice President
Mr. Russell G. Fortlage.....Member
Ms. Karen S. Olejarski.....Member
Mr. Thomas M. Vondriska.....Member

Appointed Officials

David J. Laurenzi.....Superintendent
Gerald ZelenkaTreasurer/Chief Financial Officer
Richard T. McDermott Director of Curriculum and Instruction
Richard C. ForneyHigh School Principal
Edward D. Vittardi Middle School Principal
Judith A. Schulz..... Primary School Principal
Richard J. Wherley Technology Coordinator
Albert A. Yano Service Manager

Independence Local School District
Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Independence Local School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

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, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, Cuyahoga County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof 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 May 26, 2006, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

May 26, 2006

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2005
(Unaudited)

The discussion and analysis of the Independence 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, 2005. 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 transmittal letter, 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 2005 are as follows:

- ◆ In total, net assets of governmental activities increased \$7,923,153, which represents a 102 percent increase from 2004.
- ◆ Revenues for governmental activities totaled \$21,810,960 in 2005. Of this total, \$21,006,019 or 96 percent consisted of general revenues while program revenues accounted for the balance of \$804,941 or 4 percent.
- ◆ Total assets of governmental activities increased by \$8,433,826 which primarily includes cash and cash equivalent decrease of \$3,262,482, taxes receivable increase of \$1,174,530, and net capital asset increase of \$10,565,462.
- ◆ Program expenses totaled \$13,887,807. Instructional expenses made up \$6,914,854 or 50 percent of this total while support services accounted for \$5,102,407 or 37 percent. Other expenses, \$1,870,546 rounded out the remaining 13 percent.

Using the Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those 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, 2005
(Unaudited)

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 2005?" The *Statement of Net Assets* and the *Statement of Activities* answers 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 noninstructional activities, operation of food services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 16. Fund financial reports 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, bond retirement debt service fund, and the building and permanent improvement capital projects funds.

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, 2005
(Unaudited)

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 2005 compared to 2004:

	2005	2004
Assets		
Current and Other Assets	\$15,632,649	\$17,764,285
Capital Assets, Net	33,153,496	22,588,034
<i>Total Assets</i>	48,786,145	40,352,319
Liabilities		
Current Liabilities	12,440,790	12,861,406
Long-term Liabilities		
Due within One Year	628,796	801,761
Due within More Than One Year	20,043,671	18,939,436
<i>Total Liabilities</i>	33,113,257	32,602,603
Net Assets		
Invested in Capital Assets, net of Related Debt	15,809,432	4,523,823
Restricted For:		
Debt Service	893,729	734,311
Capital Outlay	239,719	25,930
Other Purpose	62,576	40,342
Unrestricted	(1,332,568)	2,425,310
<i>Total Net Assets</i>	\$15,672,888	\$7,749,716

Total assets increased \$8,433,826. The majority of this increase can be attributed directly to the area of capital assets, which increased \$10,565,462. This increase was derived from the construction of the new high school building. However, the overall increase was offset, in part, by a decrease of \$3,261,017 in equity in pooled cash and cash equivalents due to construction costs incurred.

Total liabilities increased by \$510,654. A combination of increases and decreases contributed to this overall decrease. The primary factor for the increase in total liabilities was to long-term liabilities, which reported a total increase of \$931,270. This increase was based primarily from the net increase in bonds and notes payable. During the year, the School District retired \$490,000 in current interest serial bonds and issued \$1,500,000 in anticipation notes. See the analysis of the School District's debt activities for more detail of the School Districts long-term obligations.

By comparing assets and liabilities, one can see that the overall position of the School District has improved significantly as evidenced by the increase in net assets of \$7,923,153.

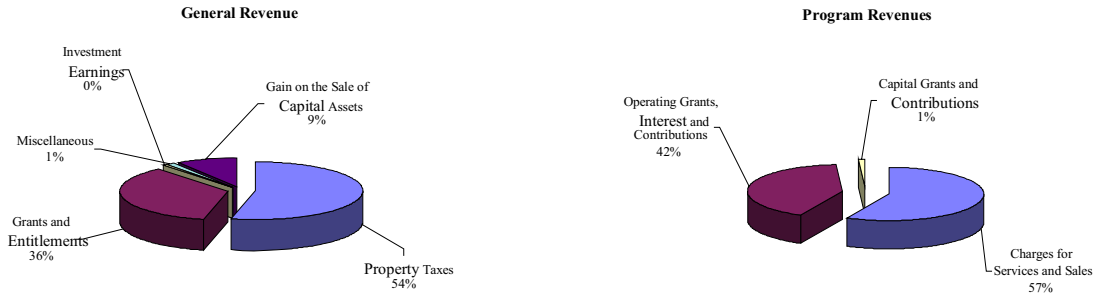
Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2005
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

Table 2		
Changes in Net Assets		
Governmental Activities		
	2005	2004
Program Revenues		
Charges for Sales and Services	\$ 459,797	\$ 332,162
Operating Grants, Interest and Contributions	335,694	325,526
Capital Grants and Contributions	9,450	0
General Revenues		
Property Taxes	11,237,804	12,399,047
Grants and Entitlements	7,458,201	8,794,973
Investments	67,356	158,518
Miscellaneous	297,041	31,325
Gain on the sale of capital assets	1,945,617	0
<i>Total Revenues</i>	21,810,960	22,041,551
Program Expenses		
Instruction	6,914,854	8,432,090
Support Services:		
Pupils	606,487	713,694
Instructional Staff	1,004,526	1,259,504
Board of Education	169,425	126,942
Administration	884,731	1,009,517
Fiscal	393,534	524,616
Business	147,554	199,691
Operation and Maintenance of Plant	1,357,364	1,421,639
Pupil Transportation	533,786	679,183
Central	5,000	5,734
Operation of Non-Instructional Services	234,708	205,301
Food Service Operations	275,267	325,792
Extracurricular Activities	491,140	474,723
Interest and Fiscal Charges	869,431	767,836
<i>Total Program Expenses</i>	13,887,807	16,146,262
<i>Change in Net Assets</i>	7,923,153	5,895,289
 <i>Net Assets Beginning of Year</i>	 7,749,735	 1,854,446
<i>Net Assets End of Year</i>	\$ 15,672,888	\$ 7,749,735

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2005
(Unaudited)

Governmental Activities

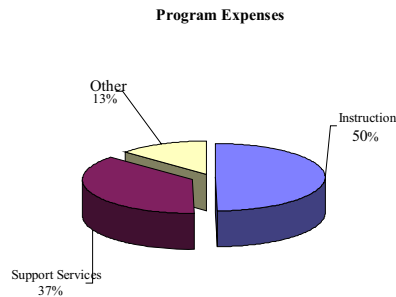


The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$21,006,019 or 96 percent of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues, which equated to \$804,941 or only 4 percent of total revenue.

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 54 percent of revenues for governmental activities for the School District in fiscal year 2005. 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.

Instructional expenses comprise 50 percent of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 37 percent. The remaining 13 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.

	2005
Instruction	\$ 6,914,854
Support Services	5,102,407
Other	1,870,546
Total	\$13,887,807



Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2005
(Unaudited)

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 supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Governmental Activities				
Instruction:				
Regular	\$6,233,958	\$6,123,475	\$7,580,254	\$7,503,003
Special	437,155	413,937	851,836	830,887
Other	243,741	243,741	0	0
Support Services:				
Pupil	606,487	605,393	713,694	707,170
Instructional Staff	1,004,526	983,151	1,259,504	1,247,579
Board of Education	169,425	169,425	126,942	126,942
Administration	884,731	884,731	1,009,517	1,009,517
Fiscal	393,534	393,534	524,616	524,616
Business	147,554	147,554	199,691	177,532
Operation and Maintenance of Plant	1,357,364	1,338,779	1,421,639	1,413,049
Pupil Transportation	533,786	533,786	679,183	679,183
Central	5,000	0	5,734	734
Operation of Non-Instructional Services	234,708	40,903	205,301	4,320
Food Service Operations	275,267	10,009	325,792	63,137
Extracurricular Activities	491,140	325,017	474,723	433,069
Interest and Fiscal Charges	869,431	869,431	767,836	767,836
Total	<u>\$13,887,807</u>	<u>\$13,082,866</u>	<u>\$16,146,262</u>	<u>\$15,488,574</u>

The dependence upon the general revenues for governmental activities is apparent. Ninety-six 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, 2005
(Unaudited)

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,387,735 and expenditures of \$24,960,323. The net change in fund balance for the year was most significant in the building fund, with a decrease of \$2,907,274. This decrease was from costs incurred in construction of a new high school. The general fund reported a net increase in fund balance of \$674,545. This increase was primarily the result of revenue receipts from the \$1.5 million of tax anticipation notes.

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, is the General fund.

During fiscal 2005, the School District amended its general fund budget numerous times. The most significant amendments occurred after the unanticipated need for additional outside physical therapy purchased services, special education student purchased services and health insurance increases. 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 \$13,462,345, \$1,826,143 above original budget estimates of \$11,595,202. The primary factor contributing to this increase was the increase in proceeds from the issuance of tax anticipation notes.

Total actual expenditures, including other financing sources, on the budget basis (cash outlays plus encumbrances) were \$13,739,436, \$657,291 less than actual revenues and other financing sources. The School District's unencumbered ending balance totaled \$690,263, which was above the final budgeted amount of \$152,490.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the School District had \$33,153,496 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2005 values compared to 2004. 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, 2005
(Unaudited)

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

	2005	2004
Land	\$ 147,099	\$ 193,771
Construction in Progress	0	18,734,998
Land Improvements	166,399	180,266
Building Improvements	31,619,171	2,586,366
Furniture and Equipment	866,787	471,485
Vehicles	354,040	421,148
Total Capital Assets	33,153,496	22,588,034

All capital assets, except land, and construction in progress are reported net of depreciation. The primary capital asset increase occurred from the construction of the new high school and shared facility. Also during the fiscal year, the School District sold a middle school building, including land, for \$2,000,000. The land was purchased, and the original building was built in the 1950's, with the building having several additions added through the 1960's. The total cost of these assets was an estimated \$442,518 to the School District and had a net carrying value of \$54,383. As a result of this sale, the School District has reported a "gain on the sale of capital assets" in the statement of activities in the amount of \$1,945,617. The proceeds from the sale have been deposited in the building capital project fund and were used in the new construction and renovation projects of other School District buildings.

For fiscal year 2005, 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 2005, this amounted to \$162,800 for each set aside. For fiscal year 2005, 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, 2005, the School District has \$17,607,552 in net bonds outstanding for construction of a new high school and to convert the current high school into a middle school. The School District also had \$1,500,000 in anticipation notes outstanding that were issued during the current fiscal year. More detailed information about the School Districts outstanding debt is presented in Note 15 of the notes to the basic financial statements

At June 30, 2005, the School District's overall legal debt margin was \$49,369,021 with an unvoted debt margin of \$540,991. The debt is well within permissible limits. The School District maintains an AA bond rating from Standard and Poor's.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2005
(Unaudited)

School District Outlook

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

The financial future of the School District is not without its challenges though. The challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Due to a flat-line economy, the School District has placed a three-year emergency operating levy on the ballot. Thus management must diligently plan expenses from this levy, staying carefully within its timeframe.

As a result of the challenges mentioned above, it is 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 several 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 Mr. Gerald Zelenka, Treasurer/Chief Financial Officer, at Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or e-mail at jzelenka@independence.k12.oh.us.

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Basic Financial Statements

Independence Local School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,779,812
Taxes Receivable	13,638,060
Accounts Receivable	1,465
Deferred Charges	207,193
Inventory Held for Resale	6,119
Non-Depreciable Capital Assets	147,099
Depreciable Capital Assets, Net	33,006,397
<i>Total Assets</i>	48,786,145
Liabilities	
Accounts Payable	67,902
Accrued Wages	885,296
Intergovernmental Payable	279,399
Accrued Interest Payable	65,317
Vacation Benefits Payable	105,344
Matured Compensated Absences Payable	196,631
Unearned Revenue	10,840,901
Long -Term Liabilities:	
Due Within One Year	628,796
Due In More Than One Year	20,043,671
<i>Total Liabilities</i>	33,113,257
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,809,432
Restricted for:	
Debt Service	893,729
Capital Outlay	239,719
Other Purposes	62,576
Unrestricted	(1,332,568)
<i>Total Net Assets</i>	\$ 15,672,888

See accompanying notes to the basic financial statements.

Independence Local School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Permanent Improvement	Building
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 840,633	\$ 679,817	\$ 6,742	\$ 156,067
Taxes Receivable	11,893,950	1,361,099	383,011	0
Accounts Receivable	1,465	0	0	0
Interfund Receivable	32,381	0	0	52,000
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>12,768,429</u>	<u>2,040,916</u>	<u>389,753</u>	<u>208,067</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	66,327	0	0	1,575
Accrued Wages	861,468	0	0	0
Interfund Payable	0	0	52,000	0
Intergovernmental Payable	267,240	0	0	0
Matured Compensated Absences Payable	196,631	0	0	0
Deferred Revenue	10,626,973	1,216,077	342,259	0
<i>Total Liabilities</i>	<u>12,018,639</u>	<u>1,216,077</u>	<u>394,259</u>	<u>1,575</u>
Fund Balances				
Reserved for Encumbrances	155,900	0	15,815	7,050
Reserved for Property Taxes	1,266,977	145,022	40,752	0
Unreserved:				
Undesignated, Reported in:				
General Fund	(673,087)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	679,817	0	0
Capital Projects Funds	0	0	(61,073)	199,442
<i>Total Fund Balances</i>	<u>749,790</u>	<u>824,839</u>	<u>(4,506)</u>	<u>206,492</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,768,429</u>	<u>\$ 2,040,916</u>	<u>\$ 389,753</u>	<u>\$ 208,067</u>

See accompanying notes to the basic financial statements.

All Other Governmental Funds	Total Governmental Funds
\$ 96,553	\$ 1,779,812
0	13,638,060
0	1,465
0	84,381
6,119	6,119
<u>102,672</u>	<u>15,509,837</u>

0	67,902
23,828	885,296
32,381	84,381
12,159	279,399
0	196,631
0	12,185,309
<u>68,368</u>	<u>13,698,918</u>

18,569	197,334
0	1,452,751

0	(673,087)
15,716	15,716
0	679,817
19	138,388
<u>34,304</u>	<u>1,810,919</u>
<u>\$ 102,672</u>	<u>\$ 15,509,837</u>

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Independence Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances		\$ 1,810,919
<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.		33,153,496
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: Delinquent Property Taxes		1,344,408
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	\$ (6,295,000)	
Current Interest Term Bonds	(10,905,000)	
Capital Appreciation Bonds	(140,000)	
Accretion of Capital Appreciation Bonds	(56,295)	
Bond Premium	(211,257)	
Anticipation Notes	<u>(1,500,000)</u>	(19,107,552)
Bond issuance costs will be amortized over the life of the bond on the statement of net assets.		207,193
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.		
Vacations Benefits Payable	\$ (105,344)	
Accrued Interest Payable	(65,317)	
Compensated Absences	<u>(1,564,915)</u>	<u>(1,735,576)</u>
Net Assets of Governmental Activities		<u><u>\$ 15,672,888</u></u>

See accompanying notes to the basic financial statements.

Independence Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Permanent Improvement	Building
Revenues				
Property and Other Local Taxes	\$ 9,099,026	\$ 1,303,811	\$ 354,914	\$ 0
Intergovernmental	1,774,682	117,967	32,979	5,509,283
Interest	64,654	0	2,240	0
Tuition and Fees	81,077	0	0	0
Extracurricular Activities	107,470	0	0	0
Rentals	5,449	0	0	0
Gifts and Donations	35,412	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	23,909	0	239,318	0
<i>Total Revenues</i>	<u>11,191,679</u>	<u>1,421,778</u>	<u>629,451</u>	<u>5,509,283</u>
Expenditures				
Current:				
Instruction:				
Regular	6,090,527	0	467,477	36,040
Special	422,745	0	0	0
Other	243,568	0	0	0
Support Services:				
Pupils	564,995	0	0	0
Instructional Staff	1,026,468	0	17,535	51,802
Board of Education	169,425	0	0	0
Administration	924,469	0	0	0
Fiscal	358,996	3,400	134	0
Business	133,068	0	0	0
Operation and Maintenance of Plant	1,228,747	0	108,614	19,190
Pupil Transportation	486,386	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	0	0	0	0
Extracurricular Activities	335,957	0	0	0
Capital Outlay	0	0	0	10,309,525
Debt Service:				
Principal Retirement	0	490,000	0	0
Interest and Fiscal Charges	12,783	751,415	61,176	0
<i>Total Expenditures</i>	<u>11,998,134</u>	<u>1,244,815</u>	<u>654,936</u>	<u>10,416,557</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(806,455)</u>	<u>176,963</u>	<u>(25,485)</u>	<u>(4,907,274)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	0	2,000,000
Proceeds from Sale of Notes	1,500,000	0	0	0
Transfers In	0	0	0	0
Transfers Out	(19,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,481,000</u>	<u>0</u>	<u>0</u>	<u>2,000,000</u>
<i>Net Change in Fund Balance</i>	674,545	176,963	(25,485)	(2,907,274)
<i>Fund Balance (Deficit) at Beginning of Year</i>	75,245	647,876	20,979	3,113,766
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 749,790</u>	<u>\$ 824,839</u>	<u>\$ (4,506)</u>	<u>\$ 206,492</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 10,757,751
336,428	7,771,339
490	67,384
6,890	87,967
35,886	143,356
0	5,449
11,136	46,548
209,889	209,889
34,825	298,052
<u>635,544</u>	<u>19,387,735</u>
26,498	6,620,542
16,748	439,493
173	243,741
2,070	567,065
20,612	1,116,417
0	169,425
0	924,469
0	362,530
14,486	147,554
0	1,356,551
0	486,386
5,000	5,000
226,667	226,667
274,492	274,492
59,135	395,092
0	10,309,525
0	490,000
0	825,374
<u>645,881</u>	<u>24,960,323</u>
<u>(10,337)</u>	<u>(5,572,588)</u>
0	2,000,000
0	1,500,000
19,000	19,000
0	(19,000)
<u>19,000</u>	<u>3,500,000</u>
8,663	(2,072,588)
25,641	3,883,507
<u>\$ 34,304</u>	<u>\$ 1,810,919</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, 2005

Net Change in Fund Balances - Total Governmental Funds		\$ (2,072,588)
<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 additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 11,016,242	
Current Year Depreciation	<u>(396,397)</u>	10,619,845
Net effect of transactions involving disposal of capital assets are not reflected in the funds.		(54,383)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	\$ 268,522	
Intergovernmental	<u>209,086</u>	477,608
Repayment of bond and note principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Current Interest Serial Bonds		490,000
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	\$ 112,072	
Increase in Vacation Benefits Payable (1)	<u>(105,344)</u>	6,728
Issuance of long term debt with related costs, premiums, discounts, etc. are recorded in the funds when the transaction occurs		
Issuance of Anticipation Notes		(1,500,000)
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	\$ (2,087)	
Current Year Bond Premium Amortization	8,796	
Current Year Bond Issuance Costs Amortization	(8,628)	
Current Year Bond Accretion	<u>(42,138)</u>	<u>(44,057)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 7,923,153</u></u>

(1) Previously reported within compensated absences.

See accompanying notes to the basic financial statements.

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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 9,034,000	\$ 9,034,000	\$ 9,243,019	\$ 209,019
Intergovernmental	1,534,702	1,551,845	1,774,682	222,837
Interest	100,000	100,000	80,024	(19,976)
Tuition and Fees	104,300	104,300	81,077	(23,223)
Rentals	6,400	6,400	18,585	12,185
Extracurricular Activities	200,000	200,000	107,470	(92,530)
Gifts and Donations	0	0	35,412	35,412
Miscellaneous	10,000	10,000	23,909	13,909
<i>Total Revenues</i>	<u>10,989,402</u>	<u>11,006,545</u>	<u>11,364,178</u>	<u>357,633</u>
Expenditures				
Current:				
Instruction:				
Regular	5,698,255	5,901,638	6,211,689	(310,051)
Special	365,934	467,207	459,106	8,101
Other	185,000	226,799	243,568	(16,769)
Support Services:				
Pupils	496,304	594,038	597,832	(3,794)
Instructional Staff	991,451	1,073,218	1,064,505	8,713
Board of Education	135,050	176,209	177,950	(1,741)
Administration	902,537	905,700	905,817	(117)
Fiscal	430,600	333,998	347,383	(13,385)
Business	142,600	153,077	148,440	4,637
Operation and Maintenance of Plant	1,083,200	1,152,288	1,180,517	(28,229)
Pupil Transportation	331,270	470,306	500,248	(29,942)
Operation of Non-Instructional Services	0	0	175	(175)
Extracurricular Activities	325,500	322,865	336,722	(13,857)
Debt Service:				
Principal	0	950,000	950,000	0
Interest	0	12,783	12,783	0
Total Expenditures	<u>11,087,701</u>	<u>12,740,126</u>	<u>13,136,735</u>	<u>(396,609)</u>
Excess of Revenues Over (Under) Expenditures	<u>(98,299)</u>	<u>(1,733,581)</u>	<u>(1,772,557)</u>	<u>(38,976)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Notes	0	2,450,000	2,450,000	0
Refund of Prior Year Expenditures	5,000	5,000	0	(5,000)
Transfers In	600,000	0	582,549	582,549
Advances In	800	800	0	(800)
Transfers Out	(10,000)	(601,549)	(601,549)	0
Refund of Prior Year Receipts	0	(1,152)	(1,152)	0
<i>Total Other Financing Sources (Uses)</i>	<u>595,800</u>	<u>1,853,099</u>	<u>2,429,848</u>	<u>576,749</u>
<i>Net Change in Fund Balance</i>	497,501	119,518	657,291	537,773
<i>Fund Balance (Deficit) at Beginning of Year</i>	(97,792)	(97,792)	(97,792)	0
Prior Year Encumbrances Appropriated	130,764	130,764	130,764	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 530,473</u>	<u>\$ 152,490</u>	<u>\$ 690,263</u>	<u>\$ 537,773</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 8,162	\$ 136,473
Liabilities		
Due to Students	0	136,473
<i>Total Liabilities</i>	0	\$ 136,473
Net Assets		
Held in Trust for Scholarships	8,162	
<i>Total Net Assets</i>	\$ 8,162	

See accompanying notes to the basic financial statements.

Independence Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust Scholarship
Additions	
Interest	\$ 159
Deductions	
Scholarships Awarded	250
<i>Change in Net Assets Before Transfers</i>	(91)
Transfers In	173
<i>Net Change in Net Assets</i>	82
<i>Net Assets Beginning of Year</i>	8,080
<i>Net Assets End of Year</i>	\$ 8,162

See accompanying notes to the basic financial statements.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 70 classified employees, 84 certificated teachers, and 7 certificated administrators who provide services to 1,158 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 insure 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, 2005

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 will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 “*Deposit and Investment Risk Disclosures.*” There was no effect on fund balances as a result of this implementation. The School District’s significant accounting policies are described below.

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 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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

Building Fund The building fund received proceeds from the sale of bonds for the constructing, furnishing and equipping a new high school and the renovation and reconfiguration of the current high school into a middle school.

Permanent Improvement Fund The permanent improvement fund accounts for property taxes used for the acquisition or construction of major capital facilities.

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.

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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

Nonexchange 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, 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 nonexchange 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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Deferred/Unearned Revenue Deferred/unearned 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred/unearned 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, contributions and interest" 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 2005, the School District's investments were limited to investments in STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost. The School District did not invest in either of these during fiscal year 2005.

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, 2005.

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 2005 amounted to \$64,654, which includes \$56,095 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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. 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 as 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.

I. 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.

J. Bond Premium

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the straight-line method. An additional immaterial amount was amortized during fiscal year 2005 in order to bring the year to date amount up to date. Bond premiums are presented as an increase of the face amount of the bonds payable.

K. 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, 2005

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 one thousand five hundred 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 Improvement	20 years
Buildings and Improvements	50 years
Furniture and Equipment	5-10 years
Vehicles	10 years

L. 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.

M. 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.

N. Accrued Liabilities and Long-term Obligations

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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, claims and judgments, compensated absences, and contractually required pension contributions 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.

O. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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.

Q. 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 include food service operations and extracurricular activities.

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

R. 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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

S. 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.

T. 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 and Compliance

A. Accountability

The following funds had deficit balances at June 30, 2005:

	<u>Fund Balance</u>	<u>Net Asset</u>
Permanent Improvement capital projects fund	\$4,506	\$0
<i>Nonmajor special revenue funds:</i>		
Food service fund	15,811	32,512
Uniform school supplies fund	359	359
District managed activities fund	2,226	2,226
Auxiliary services fund	31,785	33,560
Title V fund	200	0

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The 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.

B. Compliance

The following funds had year-end appropriations in excess of the final certified estimated resources, which is contrary to Section 5705.39 of the Ohio Revised Code:

<u>Fund</u>	Beginning Of Year Unencumbered <u>Fund Balance</u>	Current Year Certified Estimated <u>Resources</u>	Current Year Board Approved <u>Appropriations</u>	Excess of Appropriations Over Available <u>Resources</u>
Building capital project fund	\$ (7,353,308)	\$ 8,292,487	\$ 1,952,166	\$ (1,012,987)
<i>Special Revenue Funds</i>				
Auxiliary services	(14,235)	203,652	221,946	(32,529)
Title V	0	15,932	18,817	(2,885)

The following funds had expenditures plus encumbrances in excess of appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General fund	Instruction-regular	\$ 5,901,638	\$ 6,211,689	\$ 310,051
General fund	Instruction-other	226,799	243,568	16,769
General fund	Support services-pupils	594,038	597,832	3,794
General fund	Support services-board of education	176,209	177,950	1,741
General fund	Support services-administration	905,700	905,817	117
General fund	Support services-fiscal	333,998	347,383	13,385
General fund	Support services-operation and maintenance of plant	1,152,288	1,180,517	28,229
General fund	Support services-pupil transportation	470,306	500,248	29,942
General fund	Support services-operation of non-instructional services	0	175	175
General fund	Extracurricular activities	322,865	336,722	13,857
<i>Special revenue funds:</i>				
Public school support	Support services-business	17,729	18,094	365
District managed activities	Extracurricular activities	64,140	64,628	488
Auxiliary services	Support services-operation of non-instructional services	236,542	236,632	90
Entry year programs	Instruction-regular	728	970	242
Title I	Instruction-special	0	1	1

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Contrary to Ohio Revised Code Section 5705.10, three funds had negative fund balances. The permanent improvements capital projects fund, the food service and auxiliary services special revenue funds had negative balances of \$9,074, \$35 and \$32,592, respectively.

Management has indicated that expenditures, budgets, and fund balances will be closely monitored to ensure no future violations.

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	\$ 674,545
Net Adjustment for Revenue Accruals	1,122,499
Net Adjustment for Expenditure Accruals	(963,978)
Adjustment for Encumbrances	<u>(175,775)</u>
Budget Basis	<u><u>\$ 657,291</u></u>

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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For the Fiscal Year Ended June 30, 2005

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 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, 2005

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 District 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, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of 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 \$1,150 in 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 \$601,373 and the bank balance was \$601,929. Of the bank balance:

1. \$323,969 was covered by federal depository insurance; and
2. \$277,960 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance 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 only investment was in StarOhio.

Ending Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005. This value as of June 30, 2005 was \$1,321,924.

Credit Risk – The School District's only investment at June 30, 2005 in STAROhio, which is rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The School District places no limit on the amount the School District may invest in any one issuer. During the year, the School District's only investment was in StarOhio.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 2005 represents collections of calendar year 2004 taxes. Real property tax revenue received in calendar year 2005 were levied after April 1, 2004, on the assessed valuation listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004 on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School District prior to June 30.

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, 2005, are available to finance fiscal year 2005 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 are measurable as of June 30, 2005 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, 2005 was \$1,266,977 in the general fund, \$145,022 in the bond retirement debt service fund and \$40,752 in the permanent improvement capital projects fund.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 2005 taxes were collected are:

	2004 Second - Half Collections		2005 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 466,620,460	86.62%	\$ 472,651,150	87.37%
Public Utility Personal	22,120,190	4.11%	25,368,400	4.69%
Tangible Personal Property	49,910,985	9.27%	42,971,606	7.94%
Total	\$ 538,651,635	100.00%	\$ 540,991,156	100.00%
 Tax Rate per \$1,000 of assessed valuation	 \$ 25.70		 \$ 26.00	

Note 7 - Receivables

Receivables at June 30, 2005, consisted of taxes and interfund receivables (see Note 8). All property tax receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

Note 8 - Interfund Balances

The account balances reported in the fund financial statements for “interfund receivable” and “interfund payable” as of June 30, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$32,381	\$0
Permanent improvement fund	0	52,000
Building fund	52,000	0
Nonmajor governmental funds	0	32,381
Total All Other Governmental Funds	\$84,381	\$84,381

Interfund receivables and payables resulted 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. Included within the balances, is a loan made from the general fund to the Auxiliary Services special revenue fund in the amount of \$23,381. This loan was made on a GAAP basis to offset an unencumbered negative cash balance reported as of June 30, 2005. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 9 - Interfund Transfers

During the fiscal year the general fund made transfers to two nonmajor governmental funds in the amount of \$19,100. These transfers were made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$ 193,771	\$ -	\$ (46,672)	\$ 147,099
Construction In Progress	18,734,998	10,414,983	(29,149,981)	0
<i>Total Capital Assets, nondepreciated</i>	<u>18,928,769</u>	<u>10,414,983</u>	<u>(29,196,653)</u>	<u>147,099</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	315,600	0	0	315,600
Building and Improvements	5,207,272	29,149,981	(395,846)	33,961,407
Furniture and Equipment	2,539,096	601,259	0	3,140,355
Vehicles	1,112,949	0	0	1,112,949
<i>Total Capital Assets, being depreciated</i>	<u>9,174,917</u>	<u>29,751,240</u>	<u>(395,846)</u>	<u>38,530,311</u>
Less Accumulated Depreciation				
Land Improvements	(135,334)	(13,867)	0	(149,201)
Building and Improvements	(2,620,906)	(109,465)	388,135	(2,342,236)
Furniture and Equipment	(2,067,611)	(205,957)	0	(2,273,568)
Vehicles	(691,801)	(67,108)	0	(758,909)
<i>Total Accumulated Depreciation</i>	<u>(5,515,652)</u>	<u>(396,397)</u>	<u>388,135</u>	<u>(5,523,914)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>3,659,265</u>	<u>29,354,843</u>	<u>(7,711)</u>	<u>33,006,397</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 22,588,034</u>	<u>\$ 39,769,826</u>	<u>\$ (29,204,364)</u>	<u>\$ 33,153,496</u>

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 211,318
Special	1,686
Support Services:	
Pupils	458
Instructional Staff	49,022
Administration	6,182
Fiscal	1,195
Operation and Maintenance of Plant	25,796
Pupil Transportation	65,966
Operation of Non Instructional Services	10,866
Operation of Food Services	6,536
Extracurricular Activities	17,372
	17,372
Total Depreciation Expense	\$ 396,397

During the fiscal year, the School District sold a middle school building, including land, for \$2,000,000. The land was purchased, and the original building was built in the 1950's, with the building having several additions added through the 1960's. The total cost of these assets was an estimated \$442,518 to the School District and had a net carrying value of \$54,383. As a result of this sale, the School District has reported a "gain on the sale of capital assets" in the statement of activities in the amount of \$1,945,617. The proceeds from the sale have been deposited in the building capital project fund and will be used in the new construction and renovation projects of other School District buildings.

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 2005, 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.

Independence Local School District
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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 district that can meet the GRP's selection criteria. The Sheakley Group provides administrative, cost control and actuarial services to the GRP.

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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined 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 (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$223,745, \$161,549, and \$138,285, 70 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$66,173 represents the unpaid contributions for fiscal year 2005, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. 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 the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090, 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 times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. 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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their

Independence Local School District
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For the Fiscal Year Ended June 30, 2005

account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal ended June 30, 2005, 2004, and 2003 were \$1,097,256, \$799,511, and \$617,500 respectively. Fiscal year 2005 contribution included a \$212,557 payment as part of a July 1, 2003 seven-teacher buyout settlement. Contributions to the DC and Combined Plans for fiscal year 2005 were \$3,329 made by the School District and \$9,918 made by the plan members. 89 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$119,852 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/ State Teachers Retirement System of Ohio. As of June 30, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio, (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Independence Local School District
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All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$84,404 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 the balance in the Fund was \$3.3 million. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14 percent employer rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$81,550. The SERS surcharge is capped at 2 percent of the total qualifying payroll.

Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

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
Notes Payable	2005	3.52%	1,500,000	December 1, 2008

Independence Local School District
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Notes Payable – During the fiscal year, the School District issued \$1,500,000 in notes in anticipation of the collection of proceeds from an emergency tax levy, in excess of the ten-mill limitation, which was approved by the electors of the School District on February 8, 2005. Collections from this levy will occur during the calendar years 2006 through 2008.

A schedule of changes in bonds and other long-term obligations of the School District during 2005 follows:

	Amounts Outstanding 06/30/04	Additions	Reductions	Amounts Outstanding 06/30/05	Amounts Due in One Year
<i>General Obligation Bonds:</i>					
<i>School Improvement</i>					
Current Interest Serial Bonds	\$ 6,785,000	0	(490,000)	\$ 6,295,000	620000
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	220,053	0	(8,796)	211,257	8796
Accretion on Capital Appreciation Bonds	14,157	42,138	0	56,295	0
<i>Total General Obligation Bonds</i>	<u>18,064,210</u>	<u>42,138</u>	<u>(498,796)</u>	<u>17,607,552</u>	<u>628,796</u>
<i>Other Long-term Liabilities:</i>					
Notes Payable	-	1,500,000	0	1,500,000	0
Compensated Absences	1,676,987	84,559	(196,631)	1,564,915	0
<i>Total Other Long-term Liabilities</i>	<u>1,676,987</u>	<u>1,584,559</u>	<u>(196,631)</u>	<u>3,064,915</u>	<u>0</u>
<i>Total Governmental Long-term Obligations</i>	<u>\$ 19,741,197</u>	<u>1,626,697</u>	<u>(695,427)</u>	<u>\$ 20,672,467</u>	<u>\$ 628,796</u>

Compensated absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund. There are no expected retirements within the next fiscal year that will come due. As a result, there are no compensated absences “due in one year” reported. General obligation debt will be paid from the bond retirement debt service fund. Notes payable will be retired from the general fund with property settlements resulting from an emergency tax levy passed by the electors of the School District

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.

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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

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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 2005, \$42,138 was accreted.

The School District's overall legal debt margin was \$32,029,021 and the unvoted legal debt margin was \$540,991 at June 30, 2005. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 620,000	\$ 737,865	\$ 0	\$ 0	\$ 0	\$ 0
2007	670,000	724,630	0	0	0	0
2008	430,000	712,220	0	0	0	0
2009	440,000	700,575	0	0	0	0
2010	450,000	686,430	0	0	0	0
2011 - 2015	1,985,000	3,232,701	0	0	140,000	345,000
2016 - 2020	1,700,000	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	<u>\$ 6,295,000</u>	<u>\$ 8,498,476</u>	<u>\$ 10,905,000</u>	<u>\$ 3,737,769</u>	<u>\$ 140,000</u>	<u>\$ 345,000</u>

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 \$2,046 to LNOCA during fiscal year 2004. Financial information can be obtained by contacting LNOCA, 5700 West Canal Road, Valley View, Ohio 44125.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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. The School District did not make a contribution to Cuyahoga Valley Career Center during fiscal year 2005. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

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 Council'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 2005, the School District paid \$1,412 to the Council 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 Council'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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

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 \$2,500 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$250 deductible. The boiler insurance coverage is \$30,000,000 per accident with a \$1,000 deductible and the employee dishonesty insurance has coverage up to \$255,000 with a \$1,000 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 \$1,000 deductible. Vehicles are also covered by the Indiana Insurance Company and hold a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

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, 2005.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

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 and acquisition. 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, 2004	\$0	\$0
Set-Aside Carryover Balance as of June 30, 2004	(1,133,958)	0
Current Year Set-aside Requirement	162,800	162,800
Qualifying Disbursements	(284,240)	(655,578)
Total	(\$1,255,398)	(\$492,778)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$1,255,398)	\$0

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 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 22 – Tax Anticipation Notes

On December 1, 2004, the School District issued \$950,000 in tax anticipation notes in advance of property tax collections, depositing the proceeds in the general fund. These notes matured on June 1, 2005, with a total interest payment of \$12,783. These notes were necessary for short-term borrowing by the School District to meet current operating obligations.

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**Combining Statements and
Individual Fund Schedules**

Combining Statements-Nonmajor Funds

Nonmajor Special Revenue Funds

The Special Revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purpose. Following is a description of the School District's nonmajor special revenue funds:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Uniform School Supplies Fund - This fund accounts for the purchase and sale of school supplies for use in the School District. Profits derived from such sales are used for school purposes or activities connected with the school.

Public School Support Fund - This fund accounts for school site sales revenue and expenditures for assemblies, and other activity costs.

Other Grants Fund - This fund accounts for monies received to promote community involvement and to support activities between the school and community.

District Managed Fund - This fund accounts for gate receipts and other revenues from athletic events and costs (except supplemental coaching contracts) of the athletic program, including transportation.

Auxiliary Services Fund - This fund accounts for State grant monies that provide services and materials to pupils attending non-public schools within the School District.

Educational Management Information Systems Fund - This fund accounts for State monies which support the costs associated with the requirements of the management information system.

Entry Year Programs Fund – This fund accounts for the implementation of entry year programs pursuant to Section 3317.024(T) of the Revised Code.

Data Communications Fund - This fund accounts for State monies provided for Ohio Educational Computer Network connections.

SchoolNet Professional Development Fund - This fund accounts for State monies to assist staff in gaining knowledge of technology.

Student Intervention Fund - This fund accounts for State monies used to provide summer intervention education for the students.

Safe School Helpline Fund - This fund accounts for State monies used to provide a secured environment for the students.

Title III - Limited English Proficiency Fund - This fund accounts for the development and carrying out of elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency.

Title I Fund - This fund accounts for Federal monies used to assist the School District in meeting the special needs of educationally deprived children

Combining Statements-Nonmajor Funds (continued)

Nonmajor Special Revenue Fund

Title V Fund - This fund accounts for Federal monies to assist State and local educational agencies in the reform of elementary and secondary education.

Drug Free Schools Fund - This fund accounts for Federal monies that support the implementation of programs for drug abuse education and prevention.

Title II-A Fund - This fund accounts for federal monies used to reduce class sizes in elementary schools.

Technology Literacy Challenge Grant Fund - This fund accounts for Federal monies that assist in providing technology devices that support access to general education for students with disabilities.

Nonmajor Capital Projects Fund

Capital projects funds account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary funds. The following is a description of the School District's nonmajor capital projects fund:

SchoolNet Plus Fund - This fund accounts for State monies to be used to provide wiring to all classrooms that supports the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Independence Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 96,534	\$ 19	\$ 96,553
Inventory Held for Resale	6,119	0	6,119
<i>Total Assets</i>	<u>\$ 102,653</u>	<u>\$ 19</u>	<u>\$ 102,672</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages	\$ 23,828	\$ 0	\$ 23,828
Interfund Payable	32,381	0	32,381
Intergovernmental Payable	12,159	0	12,159
<i>Total Liabilities</i>	<u>68,368</u>	<u>0</u>	<u>68,368</u>
Fund Balances			
Reserved for Encumbrances	18,569	0	18,569
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	15,716	0	15,716
Capital Projects Funds	0	19	19
<i>Total Fund Balances (Deficit)</i>	<u>34,285</u>	<u>19</u>	<u>34,304</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 102,653</u>	<u>\$ 19</u>	<u>\$ 102,672</u>

Independence Local School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ 326,978	\$ 9,450	\$ 336,428
Interest	490	0	490
Tuition and Fees	6,890	0	6,890
Extracurricular Activities	35,886	0	35,886
Gifts and Donations	11,136	0	11,136
Charges for Services	209,889	0	209,889
Miscellaneous	34,825	0	34,825
<i>Total Revenues</i>	<u>626,094</u>	<u>9,450</u>	<u>635,544</u>
Expenditures:			
Current:			
Instruction:			
Regular	26,498	0	26,498
Special	16,748	0	16,748
Other	173	0	173
Support Services:			
Pupils	2,070	0	2,070
Instructional Staff	11,162	9,450	20,612
Business	14,486	0	14,486
Central	5,000	0	5,000
Operation of Non-Instructional Services	226,667	0	226,667
Food Service Operations	274,492	0	274,492
Extracurricular Activities	59,135	0	59,135
<i>Total Expenditures</i>	<u>636,431</u>	<u>9,450</u>	<u>645,881</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(10,337)	0	(10,337)
Other Financing Sources:			
Transfers In	19,000	0	19,000
<i>Net Change in Fund Balance</i>	8,663	0	8,663
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>25,622</u>	<u>19</u>	<u>25,641</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 34,285</u>	<u>\$ 19</u>	<u>\$ 34,304</u>

Independence Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Food Service	Uniform School Supplies	Public School Support	Other Grants
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 269	\$ 441	\$ 23,665	\$ 10,553
Inventory Held for Resale	6,119	0	0	0
<i>Total Assets</i>	<u>\$ 6,388</u>	<u>\$ 441</u>	<u>\$ 23,665</u>	<u>\$ 10,553</u>
Liabilities and Fund Balances				
Liabilities				
Accrued Wages	\$ 12,396	\$ 0	\$ 0	\$ 0
Interfund Payable	0	800	0	0
Intergovernmental Payable	9,803	0	0	0
<i>Total Liabilities</i>	<u>22,199</u>	<u>800</u>	<u>0</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	0	0	3,608	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(15,811)	(359)	20,057	10,553
<i>Total Fund Balances (Deficit)</i>	<u>(15,811)</u>	<u>(359)</u>	<u>23,665</u>	<u>10,553</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 6,388</u>	<u>\$ 441</u>	<u>\$ 23,665</u>	<u>\$ 10,553</u>

<u>District Managed Activities</u>	<u>Auxiliary Services</u>	<u>Educational Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>SchoolNet Professional Development</u>
\$ 5,774 0	\$ 0 0	\$ 0 0	\$ 130 0	\$ 9,215 0	\$ 7,897 0
<u>\$ 5,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 9,215</u>	<u>\$ 7,897</u>
\$ 0 8,000 0	6,779 23,381 1,625	\$ 0 0 0	\$ 0 0 0	\$ 0 0 0	\$ 0 0 0
<u>8,000</u>	<u>31,785</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4,941	9,210	0	0	0	0
<u>(7,167)</u>	<u>(40,995)</u>	<u>0</u>	<u>130</u>	<u>9,215</u>	<u>7,897</u>
<u>(2,226)</u>	<u>(31,785)</u>	<u>0</u>	<u>130</u>	<u>9,215</u>	<u>7,897</u>
<u>\$ 5,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 9,215</u>	<u>\$ 7,897</u>

(continued)

Independence Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Student Intervention	Safe Schools Helpline	Title III Limited English Proficiency	Title I
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 15,016	\$ 3,300	\$ 0	\$ 48
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>\$ 15,016</u>	<u>\$ 3,300</u>	<u>\$ 0</u>	<u>\$ 48</u>
Liabilities and Fund Balances				
Liabilities:				
Accrued Wages	\$ 2,597	\$ 0	\$ 0	\$ 0
Interfund Payable	0	0	0	0
Intergovernmental Payable	485	0	0	0
<i>Total Liabilities</i>	<u>3,082</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit):				
Reserved for Encumbrances	810	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	11,124	3,300	0	48
<i>Total Fund Balances (Deficit)</i>	<u>11,934</u>	<u>3,300</u>	<u>0</u>	<u>48</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 15,016</u>	<u>\$ 3,300</u>	<u>\$ 0</u>	<u>\$ 48</u>

<u>Title V</u>	<u>Drug Free Schools</u>	<u>Title II-A</u>	<u>Technology Literacy Challenge Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 6,477	\$ 13,749	\$ 96,534
0	0	0	0	6,119
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,477</u>	<u>\$ 13,749</u>	<u>\$ 102,653</u>
\$ 0	\$ 0	\$ 2,056	\$ 0	\$ 23,828
200	0	0	0	32,381
0	0	246	0	12,159
<u>200</u>	<u>0</u>	<u>2,302</u>	<u>0</u>	<u>68,368</u>
0	0	0	0	18,569
(200)	0	4,175	13,749	15,716
<u>(200)</u>	<u>0</u>	<u>4,175</u>	<u>13,749</u>	<u>34,285</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,477</u>	<u>\$ 13,749</u>	<u>\$ 102,653</u>

Independence Local School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Food Service	Uniform School Supplies	Public School Support	Other Grants
Revenues:				
Intergovernmental	\$ 54,698	\$ 0	\$ 0	\$ 220
Interest	0	0	0	0
Tuition and Fees	0	3,262	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	209,889	0	0	0
Miscellaneous	671	0	22,308	0
<i>Total Revenues</i>	<u>265,258</u>	<u>3,262</u>	<u>22,308</u>	<u>220</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	13,354	0	220
Special	0	0	0	0
Other	0	0	0	173
Support Services:				
Pupils	0	0	0	0
Instructional Staff	0	0	0	0
Business	0	0	14,486	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	274,492	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>274,492</u>	<u>13,354</u>	<u>14,486</u>	<u>393</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(9,234)	(10,092)	7,822	(173)
Other Financing Sources:				
Transfers In	8,500	10,500	0	0
<i>Net Change in Fund Balance</i>	(734)	408	7,822	(173)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(15,077)</u>	<u>(767)</u>	<u>15,843</u>	<u>10,726</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (15,811)</u>	<u>\$ (359)</u>	<u>\$ 23,665</u>	<u>\$ 10,553</u>

District Managed Activities	Auxiliary Services	Educational Management Information Systems	Entry Year Programs	Data Communications
\$ 0	\$ 203,652	\$ 5,000	\$ 1,100	\$ 9,000
463	27	0	0	0
3,628	0	0	0	0
35,886	0	0	0	0
11,136	0	0	0	0
0	0	0	0	0
11,846	0	0	0	0
<u>62,959</u>	<u>203,679</u>	<u>5,000</u>	<u>1,100</u>	<u>9,000</u>
0	0	0	970	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	5,000	0	0
0	225,256	0	0	0
0	0	0	0	0
59,135	0	0	0	0
<u>59,135</u>	<u>225,256</u>	<u>5,000</u>	<u>970</u>	<u>11,112</u>
3,824	(21,577)	0	130	(2,112)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3,824	(21,577)	0	130	(2,112)
<u>(6,050)</u>	<u>(10,208)</u>	<u>0</u>	<u>0</u>	<u>11,327</u>
<u>\$ (2,226)</u>	<u>\$ (31,785)</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 9,215</u>

(continued)

Independence Local School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2005

	SchoolNet Professional Development	Student Intervention	Safe Schools Helpline	Title III Limited English Proficiency
Revenues:				
Intergovernmental	\$ 2,925	\$ 11,566	\$ 1,094	\$ 696
Interest	0	0	0	0
Tuition and Fees	0	0	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>2,925</u>	<u>11,566</u>	<u>1,094</u>	<u>696</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	10,650	0	0
Special	0	0	0	696
Other	0	0	0	0
Support Services:				
Pupils	0	0	1,094	0
Instructional Staff	50	0	0	0
Business	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	0	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>50</u>	<u>10,650</u>	<u>1,094</u>	<u>696</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,875	916	0	0
Other Financing Sources:				
Transfers In	0	0	0	0
<i>Net Change in Fund Balance</i>	2,875	916	0	0
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>5,022</u>	<u>11,018</u>	<u>3,300</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 7,897</u>	<u>\$ 11,934</u>	<u>\$ 3,300</u>	<u>\$ 0</u>

Title I	Title V	Drug Free Schools	Title II-A	Technology Literacy Challenge Grant	Total Nonmajor Special Revenue Funds
\$ 0	\$ 5,955	\$ 1,866	\$ 15,328	\$ 13,878	\$ 326,978
0	0	0	0	0	490
0	0	0	0	0	6,890
0	0	0	0	0	35,886
0	0	0	0	0	11,136
0	0	0	0	0	209,889
0	0	0	0	0	34,825
0	5,955	1,866	15,328	13,878	626,094
0	0	1,203	101	0	26,498
1	1,629	0	14,422	0	16,748
0	0	0	0	0	173
0	0	976	0	0	2,070
0	0	0	0	0	11,162
0	0	0	0	0	14,486
0	0	0	0	0	5,000
0	1,411	0	0	0	226,667
0	0	0	0	0	274,492
0	0	0	0	0	59,135
1	3,040	2,179	14,523	0	636,431
(1)	2,915	(313)	805	13,878	(10,337)
0	0	0	0	0	19,000
(1)	2,915	(313)	805	13,878	8,663
49	(3,115)	313	3,370	(129)	25,622
\$ 48	\$ (200)	\$ 0	\$ 4,175	\$ 13,749	\$ 34,285

**Individual Fund Schedules of Revenues, Expenditures
and Changes in Fund Balances -
Budget (Non-GAAP Basis) and Actual**

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 9,034,000	\$ 9,243,019	\$ 209,019
Intergovernmental	1,551,845	1,774,682	222,837
Interest	100,000	80,024	(19,976)
Tuition and Fees	104,300	81,077	(23,223)
Rentals	6,400	18,585	12,185
Extracurricular Activities	200,000	107,470	(92,530)
Gifts and Donations	0	35,412	35,412
Miscellaneous	10,000	23,909	13,909
<i>Total Revenues</i>	<u>11,006,545</u>	<u>11,364,178</u>	<u>357,633</u>
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	4,237,854	4,278,630	(40,776)
Fringe Benefits	1,497,439	1,781,178	(283,739)
Purchased Services	41,901	39,134	2,767
Materials and Supplies	124,194	112,747	11,447
Capital Outlay	250	0	250
Other	0	0	0
Total Regular	<u>5,901,638</u>	<u>6,211,689</u>	<u>(310,051)</u>
Special:			
Salaries and Wages	77,800	77,491	309
Fringe Benefits	17,254	16,387	867
Purchased Services	363,755	360,182	3,573
Materials and Supplies	6,787	4,135	2,652
Capital Outlay	1,611	911	700
Total Special	<u>467,207</u>	<u>459,106</u>	<u>8,101</u>
Other:			
Purchased Services	<u>226,799</u>	<u>243,568</u>	<u>(16,769)</u>
Total Instruction	<u>6,595,644</u>	<u>6,914,363</u>	<u>(318,719)</u>

(continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Support Services:			
Pupils:			
Salaries and Wages	\$ 349,993	\$ 356,676	\$ (6,683)
Fringe Benefits	105,154	108,634	(3,480)
Purchased Services	126,283	120,981	5,302
Materials and Supplies	12,608	11,541	1,067
Total Pupils	594,038	597,832	(3,794)
Instructional Staff:			
Salaries and Wages	578,320	581,842	(3,522)
Fringe Benefits	232,974	229,917	3,057
Purchased Services	237,888	233,717	4,171
Materials and Supplies	20,422	15,685	4,737
Other	350	80	270
Capital Outlay	3264	3264	0
Total Instructional Staff	1,073,218	1,064,505	8,713
Board of Education:			
Salaries and Wages	9,800	13,150	(3,350)
Fringe Benefits	1,572	2,032	(460)
Purchased Services	130,159	129,011	1,148
Materials and Supplies	3,000	2,826	174
Other	31,678	30,931	747
Total Board of Education	176,209	177,950	(1,741)
Administration:			
Salaries and Wages	625,004	625,945	(941)
Fringe Benefits	254,091	260,392	(6,301)
Purchased Services	8,675	3,714	4,961
Materials and Supplies	7,305	7,129	176
Other	10,625	8,637	1,988
Total Administration	905,700	905,817	(117)
Fiscal:			
Salaries and Wages	132,592	154,041	(21,449)
Fringe Benefits	66,456	67,609	(1,153)
Purchased Services	5,638	4,300	1,338
Materials and Supplies	2,500	1,302	1,198
Other	126,812	120,131	6,681
Total Fiscal	333,998	347,383	(13,385)

(continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Business:			
Purchased Services	\$ 136,387	\$ 132,477	\$ 3,910
Materials and Supplies	16,690	15,963	727
Total Business	153,077	148,440	4,637
Operation and Maintenance of Plant:			
Salaries and Wages	401,541	417,214	(15,673)
Fringe Benefits	147,577	145,613	1,964
Purchased Services	535,298	551,350	(16,052)
Materials and Supplies	67,872	66,340	1,532
Total Operation and Maintenance of Plant	1,152,288	1,180,517	(28,229)
Pupil Transportation:			
Salaries and Wages	241,093	267,508	(26,415)
Fringe Benefits	84,801	87,515	(2,714)
Purchased Services	77,319	77,269	50
Materials and Supplies	67,093	67,956	(863)
Total Pupil Transportation	470,306	500,248	(29,942)
Total Support Services	4,858,834	4,922,692	(63,858)
Operation of Non-Instructional Services:			
Fringe Benefits	0	175	(175)
Extracurricular Activities:			
Academic Oriented Activities			
Salaries and Wages	35,126	55,784	(20,658)
Fringe Benefits	10,100	6,908	3,192
Other	1,500	2,300	(800)
Total Sports Oriented Activities	46,726	64,992	(18,266)
Sports Oriented Activities:			
Salaries and Wages	226,352	224,716	1,636
Fringe Benefits	34,802	32,029	2,773
Purchased Services	11,763	11,763	0
Materials and Supplies	905	905	0
Other	2,317	2,317	0
Total Sports Oriented Activities	276,139	271,730	4,409
Total Extracurricular Activities	322,865	336,722	(13,857)

(continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt Service:			
Principal Retirement	\$ 950,000	\$ 950,000	\$ 0
Interest and Fiscal Charges	12,783	12,783	0
Total Debt Service	962,783	962,783	0
<i>Total Expenditures</i>	12,740,126	13,136,735	(396,609)
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,733,581)	(1,772,557)	(38,976)
Other Financing Uses:			
Transfers In	0	582,549	582,549
Refund of Prior Year Expenditures	5,000	0	(5,000)
Advances In	800	0	(800)
Proceeds from the Sale of Notes	2,450,000	2,450,000	0
Transfers Out	(601,549)	(601,549)	0
Refund of Prior Year Receipts	(1,152)	(1,152)	0
<i>Total Other Financing Uses</i>	1,853,099	2,429,848	576,749
<i>Net Change in Fund Balance</i>	119,518	657,291	537,773
<i>Fund Balance (Deficit) at Beginning of Year</i>	(97,792)	(97,792)	0
Prior Year Encumbrances Appropriated	130,764	130,764	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 152,490</u>	<u>\$ 690,263</u>	<u>\$ 537,773</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Bond Retirement Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 1,103,000	\$ 1,321,042	\$ 218,042
Intergovernmental	109,317	117,967	8,650
<i>Total Revenues</i>	<u>1,212,317</u>	<u>1,439,009</u>	<u>226,692</u>
Expenditures:			
Current:			
Fiscal:			
Other	1,000	450	550
Debt Service:			
Purchased Services	2,950	2,950	0
Principal Retirement	490,000	490,000	0
Interest and Fiscal Charges	751,415	751,415	0
Total Debt Service	<u>1,244,365</u>	<u>1,244,365</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,245,365</u>	<u>1,244,815</u>	<u>550</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(33,048)</u>	<u>194,194</u>	<u>227,242</u>
Other Financing Sources (Uses):			
Proceeds from the Sale of Notes	26,400	0	(26,400)
<i>Net Change in Fund Balance</i>	(6,648)	194,194	200,842
<i>Fund Balance Beginning of Year</i>	<u>533,452</u>	<u>533,452</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 526,804</u>	<u>\$ 727,646</u>	<u>\$ 200,842</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Permanent Improvement Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 345,000	\$ 352,187	\$ 7,187
Intergovernmental	47,738	32,979	(14,759)
Interest	300	2,240	1,940
Miscellaneous	528,166	239,318	(288,848)
<i>Total Revenues</i>	<u>921,204</u>	<u>626,724</u>	<u>(294,480)</u>
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	4,698	4,818	(120)
Capital Outlay	477,823	463,301	14,522
Total Instruction	<u>482,521</u>	<u>468,119</u>	<u>14,402</u>
Support Services:			
Instructional Staff:			
Capital Outlay	28,200	17,535	10,665
Fiscal:			
Other	400	134	266
Operation and Maintenance of Plant:			
Purchased Services	137,352	100,954	36,398
Capital Outlay	36,688	15,417	21,271
Capital Outlay - Replacement	21,010	8,058	12,952
Total Operation and Maintenance of Plant	<u>195,050</u>	<u>124,429</u>	<u>70,621</u>
Total Support Services	<u>223,650</u>	<u>142,098</u>	<u>81,552</u>
Debt Service:			
Debt Issuance Costs	61,200	61,176	24
<i>Total Expenditures</i>	<u>767,371</u>	<u>671,393</u>	<u>95,978</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>153,833</u>	<u>(44,669)</u>	<u>(198,502)</u>
Other Financing Sources (Uses):			
Advances Out	(55,000)	(52,000)	3,000
<i>Net Change in Fund Balance</i>	98,833	(96,669)	(195,502)
<i>Fund Balance Beginning of Year</i>	69,066	69,066	0
Prior Year Encumbrances Appropriated	18,529	18,529	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 186,428</u>	<u>\$ (9,074)</u>	<u>\$ (195,502)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Building Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 6,188,487	\$ 5,509,283	\$ (679,204)
Expenditures:			
Current:			
Instruction:			
Regular:			
Capital Outlay	36,040	36,040	0
Support Services:			
Instructional Staff:			
Capital Outlay	52,136	51,802	334
Operation and Maintenance of Plant:			
Capital Outlay	19,190	19,190	0
Total Support Services	71,326	70,992	334
Capital Outlay:			
Architecture and Engineering Services:			
Purchased Services	993,764	843,520	150,244
Building Acquisition and Construction Services:			
Capital Outlay	12,523,281	10,828,480	1,694,801
Total Capital Outlay	14,618,175	12,622,552	1,995,623
<i>Total Expenditures</i>	13,624,411	11,779,032	1,845,379
<i>Excess of Revenues Over (Under) Expenditures</i>	(7,435,924)	(6,269,749)	1,166,175
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,000,000	2,000,000	0
Advances In	104,000	52,000	(52,000)
<i>Total Other Financing Sources (Uses)</i>	2,104,000	2,052,000	(52,000)
<i>Net Change in Fund Balance</i>	(5,331,924)	(4,217,749)	1,114,175
<i>Fund Balance (Deficit) at Beginning of Year</i>	(7,353,308)	(7,353,308)	0
Prior Year Encumbrances Appropriated	11,672,245	11,672,245	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ (1,012,987)	\$ 101,188	\$ 1,114,175

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Food Service Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 31,000	\$ 26,925	\$ (4,075)
Customer Sales and Services	262,000	209,889	(52,111)
Miscellaneous	2,000	671	(1,329)
<i>Total Revenues</i>	<u>295,000</u>	<u>237,485</u>	<u>(57,515)</u>
Expenditures:			
Current:			
Food Service Operations:			
Salaries	112,893	110,319	2,574
Fringe Benefits	29,792	20,083	9,709
Purchased Services	2,610	2,394	216
Materials and Supplies	134,268	113,229	21,039
Capital Outlay - New	205	205	0
Total Food Service Operations	<u>279,768</u>	<u>246,230</u>	<u>33,538</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>15,232</u>	<u>(8,745)</u>	<u>(23,977)</u>
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>8,500</u>	<u>8,500</u>
<i>Net Change in Fund Balance</i>	15,232	(245)	(15,477)
<i>Fund Balance Beginning of Year</i>	112	112	0
Prior Year Encumbrances Appropriated	<u>98</u>	<u>98</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 15,442</u>	<u>\$ (35)</u>	<u>\$ (15,477)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Uniform School Supplies Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Tuition and Fees	\$ 6,500	\$ 3,262	\$ (3,238)
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	16,870	13,354	3,516
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(10,370)</u>	<u>(10,092)</u>	<u>278</u>
Other Financing Sources (Uses):			
Transfers In	10,500	10,500	0
<i>Net Change in Fund Balance</i>	130	408	278
<i>Fund Balance Beginning of Year</i>	<u>33</u>	<u>33</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 163</u>	<u>\$ 441</u>	<u>\$ 278</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Public School Support Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Miscellaneous	\$ 20,000	\$ 22,308	\$ 2,308
Expenditures:			
Current:			
Support Services:			
Business:			
Other	17,729	18,094	(365)
<i>Net Change in Fund Balance</i>	2,271	4,214	1,943
<i>Fund Balance Beginning of Year</i>	15,751	15,751	0
Prior Year Encumbrances Appropriated	92	92	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 18,114</u>	<u>\$ 20,057</u>	<u>\$ 1,943</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Other Grants Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,000	\$ 220	\$ (780)
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	720	220	500
Other	500	0	500
Total Regular	1,220	220	1,000
Special:			
Materials and Supplies	500	0	500
Total Instruction:	1,720	220	1,500
Support Services:			
Instructional Staff:			
Materials and Supplies	500	0	500
<i>Total Expenditures</i>	2,220	220	2,000
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,220)	0	1,220
Other Financing Sources (Uses):			
Transfers Out	(173)	(173)	0
<i>Net Change in Fund Balance</i>	(1,393)	(173)	1,220
<i>Fund Balance Beginning of Year</i>	10,726	10,726	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 9,333	\$ 10,553	\$ 1,220

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 District Managed Activities Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 0	\$ 463	\$ 463
Tuition and Fees	5,000	3,628	(1,372)
Extracurricular Activities	50,458	35,886	(14,572)
Gifts and Donations	0	11,136	11,136
Miscellaneous	5,000	11,846	6,846
<i>Total Revenues</i>	<u>60,458</u>	<u>62,959</u>	<u>2,501</u>
Expenditures:			
Current:			
Extracurricular Activities:			
Purchased Services	19,941	19,941	0
Materials and Supplies	41,747	42,235	(488)
Other	2,452	2,452	0
<i>Total Expenditures</i>	<u>64,140</u>	<u>64,628</u>	<u>(488)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,682)</u>	<u>(1,669)</u>	<u>2,013</u>
Other Financing Sources (Uses):			
Transfers In	10,000	0	(10,000)
<i>Net Change in Fund Balance</i>	6,318	(1,669)	(7,987)
<i>Fund Balance Beginning of Year</i>	(5,111)	(5,111)	0
Prior Year Encumbrances Appropriated	7,614	7,614	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 8,821</u>	<u>\$ 834</u>	<u>\$ (7,987)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Auxiliary Services Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 203,652	\$ 203,652	\$ 0
Interest	0	27	27
<i>Total Revenues</i>	<u>203,652</u>	<u>203,679</u>	<u>27</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services:			
Salaries	43,376	43,376	0
Fringe Benefits	7,710	7,801	(91)
Purchased Services	137,877	137,876	1
Materials and Supplies	47,579	47,579	0
<i>Total Expenditures</i>	<u>236,542</u>	<u>236,632</u>	<u>(90)</u>
<i>Net Change in Fund Balance</i>	(32,890)	(32,953)	(63)
<i>Fund Balance Beginning of Year</i>	(14,235)	(14,235)	0
Prior Year Encumbrances Appropriated	14,596	14,596	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (32,529)</u>	<u>\$ (32,592)</u>	<u>\$ (63)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Education Management Info System Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 5,000	\$ 5,000	\$ 0
Expenditures:			
Current:			
Support Services:			
Central:			
Salaries	4,400	4,400	0
Fringe Benefits	600	600	0
<i>Total Expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Entry Year Programs Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,100	\$ 1,100	\$ 0
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	728	970	(242)
<i>Net Change in Fund Balance</i>	372	130	(242)
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 372	\$ 130	\$ (242)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Data Communication Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 9,000	\$ 9,000	\$ 0
Expenditures:			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	16,425	7,839	8,586
Capital Outlay - New	3,273	3,273	0
<i>Total Expenditures</i>	<u>19,698</u>	<u>11,112</u>	<u>8,586</u>
<i>Net Change in Fund Balance</i>	(10,698)	(2,112)	8,586
<i>Fund Balance Beginning of Year</i>	<u>11,327</u>	<u>11,327</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 629</u>	<u>\$ 9,215</u>	<u>\$ 8,586</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 SchoolNet Professional Development Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 3,000	\$ 2,925	\$ (75)
Expenditures:			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	8,000	50	7,950
<i>Net Change in Fund Balance</i>	(5,000)	2,875	7,875
<i>Fund Balance Beginning of Year</i>	5,022	5,022	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 22	\$ 7,897	\$ 7,875

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Summer Intervention Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 14,810	\$ 11,566	\$ (3,244)
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	10,759	4,393	6,366
Fringe Benefits	958	245	713
Purchased Services	1,152	0	1,152
Materials and Supplies	10,720	7,321	3,399
<i>Total Expenditures</i>	23,589	11,959	11,630
<i>Net Change in Fund Balance</i>	(8,779)	(393)	8,386
<i>Fund Balance Beginning of Year</i>	8,779	8,779	0
Prior Year Encumbrances Appropriated	5,820	5,820	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 5,820	\$ 14,206	\$ 8,386

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Safe Schools Helpline Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,000	\$ 1,094	\$ 94
Expenditures:			
Current:			
Support Services:			
Pupils:			
Purchased Services	1,100	1,094	6
<i>Net Change in Fund Balance</i>	(100)	0	100
<i>Fund Balance Beginning of Year</i>	3,300	3,300	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 3,200	\$ 3,300	\$ 100

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Title III - Limited English Proficiency Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 696	\$ 696	\$ 0
Expenditures:			
Current:			
Instruction:			
Special:			
Salaries	696	696	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 0	\$ 0	\$ 0

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Title I Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$ 0	\$ 0	\$ 0
Expenditures:			
Current:			
Instruction:			
Special:			
Salaries	0	1	(1)
<i>Net Change in Fund Balance</i>	0	(1)	(1)
<i>Fund Balance Beginning of Year</i>	48	48	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 48</u>	<u>\$ 47</u>	<u>\$ (1)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Title V Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 13,142	\$ 5,955	\$ (7,187)
Expenditures:			
Current:			
Instruction:			
Special:			
Salaries	12,118	2,513	9,605
Fringe Benefits	2,338	2,031	307
Total Special	14,456	4,544	9,912
Operation of Non-Instructional Services:			
Capital Outlay - New	4,361	1,411	2,950
<i>Total Expenditures</i>	18,817	5,955	12,862
<i>Excess of Revenues Over (Under) Expenditures</i>	(5,675)	0	5,675
Other Financing Sources (Uses):			
Transfers In	2,790	0	(2,790)
<i>Net Change in Fund Balance</i>	(2,885)	0	2,885
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ (2,885)	\$ 0	\$ 2,885

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Drug Free Schools Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 8,177	\$ 1,866	\$ (6,311)
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	3,555	1,203	2,352
Support Services:			
Pupils			
Purchased Services	1,851	976	875
Instructional Staff			
Purchased Services	1,888	0	1,888
Total Support Services:	3,739	976	2,763
<i>Total Expenditures</i>	7,294	2,179	5,115
<i>Net Change in Fund Balance</i>	883	(313)	(1,196)
<i>Fund Balance Beginning of Year</i>	313	313	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1,196	\$ 0	\$ (1,196)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Title II-A Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 16,905	\$ 15,328	\$ (1,577)
Expenditures:			
Current:			
Instruction:			
Regular:			
Purchased Services	2,226	101	2,125
Special:			
Salaries	14,792	12,525	2,267
Fringe Benefits	2,547	1,941	606
Total Special	17,339	14,466	2,873
<i>Total Expenditures</i>	19,565	14,567	4,998
<i>Net Change in Fund Balance</i>	(2,660)	761	3,421
<i>Fund Balance Beginning of Year</i>	5,587	5,587	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 2,927	\$ 6,348	\$ 3,421

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Tech Literacy Chall Grant Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 13,878	\$ 13,878	\$ 0
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	877	0	877
Capital Outlay - New	13,000	0	13,000
<i>Total Expenditures</i>	<u>13,877</u>	<u>0</u>	<u>13,877</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1</u>	<u>13,878</u>	<u>13,877</u>
<i>Net Change in Fund Balance</i>	1	13,878	13,877
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1</u>	<u>\$ 13,878</u>	<u>\$ 13,877</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 SchoolNet Plus Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 9,450	\$ 9,450	\$ 0
Expenditures:			
Current:			
Support Services:			
Instructional Staff:			
Capital Outlay - New	9,450	9,450	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	19	19	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 19	\$ 19	\$ 0

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Scholarship Fund
 For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 80	\$ 159	\$ 79
Expenses:			
Scholarships awarded	250	250	0
<i>Change in Net Assets Before Transfers</i>	(170)	(91)	79
Transfers In	220	173	(47)
<i>Net Change in Fund Balance</i>	(170)	(91)	79
<i>Fund Equity at Beginning of Year</i>	8,080	8,080	0
<i>Fund Equity End of Year</i>	\$ 7,910	\$ 7,989	\$ 79

**Combining Statements of Changes
in Assets and Liabilities
Agency Funds**

Combining Statements

Agency Funds

Agency funds are purely custodial (assets equal liabilities) and therefore do not involve the measurement of results of operation. The following are the School District's agency funds:

District Agency Fund - This fund accounts for those assets held by the school district as an agent for individuals, private organizations or other governmental units.

Student Managed Activities Fund – This fund accounts for those student activity programs that have student participation in the activity and have students involved in the management of the program.

Independence Local School District
Combining Statement of Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended June 30, 2005

	District Agency	Student Managed Activities	Total Agency Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$136,473	\$136,473
<i>Total Assets</i>	\$0	\$136,473	\$136,473
 <u>Liabilities:</u>			
Due to Students	\$0	\$136,473	\$136,473
<i>Total Liabilities</i>	\$0	\$136,473	\$136,473

Independence Local School District
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2005

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/05</u>
District Agency				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 0</u>	<u>\$ 4,417</u>	<u>\$ 4,417</u>	<u>\$ 0</u>
Liabilities				
Due to Students	<u>\$ 0</u>	<u>\$ 4,417</u>	<u>\$ 4,417</u>	<u>\$ 0</u>
Student Managed Activities				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 101,643</u>	<u>\$ 326,195</u>	<u>\$ 291,365</u>	<u>\$ 136,473</u>
Liabilities				
Due to Students	<u>\$ 101,643</u>	<u>\$ 34,830</u>	<u>\$ 0</u>	<u>\$ 136,473</u>
Total - All Agency Funds				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 101,643</u>	<u>\$ 330,612</u>	<u>\$ 295,782</u>	<u>\$ 136,473</u>
Liabilities				
Undistributed Monies	<u>\$ 0</u>	<u>\$ 4,417</u>	<u>\$ 4,417</u>	<u>\$ 0</u>
Due to Students	<u>101,643</u>	<u>34,830</u>	<u>0</u>	<u>136,473</u>
<i>Total Liabilities</i>	<u>\$ 101,643</u>	<u>\$ 39,247</u>	<u>\$ 4,417</u>	<u>\$ 136,473</u>

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Statistical Section

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Independence Local School District
*Governmental Activities Revenues by Source
and Expenses by Function - Full Accrual Basis
Last Four Fiscal Years*

	2005	2004	2003	2002
Program Revenues				
Charges for Services	\$ 459,797	\$ 332,162	\$ 315,224	\$ 307,495
Operating Grants and Contributions	335,694	325,526	363,277	342,327
Capital Grants and Contributions	9,450	0	38,772	15,096
General Revenues				
Taxes (1)	11,237,804	12,399,047	9,869,492	10,363,320
Intergovernmental	7,458,201	8,794,973	1,707,455	1,685,801
Interest	67,356	158,518	462,928	145,816
Miscellaneous	297,041	31,325	45,333	15,047
Gain on Sale of Capital Assets	1,945,617	0	0	0
Total Revenues	\$ 21,810,960	\$ 22,041,551	\$ 12,802,481	\$ 12,874,902
Expenditures:				
Current:				
Instruction:				
Regular	\$ 6,233,958	\$ 7,580,254	\$ 7,675,858	\$ 6,284,176
Special	437,155	851,836	778,116	895,960
Other	243,741	0	0	0
Support Services:				
Pupils	606,487	713,694	620,327	615,321
Instructional Staff	1,004,526	1,259,504	1,126,489	765,771
Board of Education	169,425	126,942	146,266	131,076
Administration	884,731	1,009,517	889,121	957,728
Fiscal	393,534	524,616	462,864	389,270
Business	147,554	199,691	178,572	85,168
Operation and Maintenance of Plant	1,357,364	1,421,639	1,334,835	1,029,538
Pupil Transportation	533,786	679,183	764,287	578,585
Central	5,000	5,734	4,993	6,125
Extracurricular Activities	491,140	474,723	525,501	456,313
Operation of Non-Instructional Services:				
Food Service Operations	275,267	325,792	322,359	288,615
Other Non-Instructional Operations	234,708	205,301	276,967	191,545
Interest and Fiscal Charges	869,431	767,836	715,449	8,094
Total Expenditures	\$ 13,887,807	\$ 16,146,262	\$ 15,822,004	\$ 12,683,285

Source: School District Financial Records

(1) Includes all taxes.

Independence Local School District
General Fund
Revenues by Source and Expenditures by Function (1)
Last Ten Fiscal Years

	2005	2004	2003	2002
General Revenues				
Property and Other Local Taxes	\$ 9,099,026	10,506,069	8,743,750	10,148,741
Intergovernmental	1,774,682	1,785,525	1,692,737	1,668,626
Interest	64,654	157,757	429,809	142,413
Tuition and Fees	81,077	43,024	27,349	33,612
Extracurricular	107,470	0	0	0
Rentals	5,449	8,590	8,031	13,362
Gifts and Donations	35,412	0	0	0
Miscellaneous	23,909	9,443	39,798	8,103
Total Revenues	\$ 11,191,679	\$ 12,510,408	\$ 10,941,474	\$ 12,014,857
Expenditures:				
Current:				
Instruction:				
Regular	\$ 6,090,527	\$ 6,235,485	\$ 6,108,954	\$ 5,856,193
Special	422,745	698,329	744,839	900,999
Other	243,568	0	0	0
Support Services:				
Pupils	564,995	601,283	598,947	614,838
Instructional Staff	1,026,468	1,004,299	992,850	699,810
Board of Education	169,425	109,751	146,266	128,289
Administration	924,469	837,287	875,397	873,173
Fiscal	358,996	446,309	450,654	385,785
Business	133,068	149,487	157,442	143,652
Operation and Maintenance of Plant	1,228,747	1,144,248	1,186,546	1,046,395
Pupil Transportation	486,386	634,992	658,091	561,567
Extracurricular Activities	335,957	394,538	400,661	408,284
Capital Outlay		26,282	318,126	94,792
Interest and Fiscal Charges	12,783	0	0	0
Total Expenditures	\$ 11,998,134	\$ 12,282,290	\$ 12,638,773	\$ 11,713,777

Source: School District Financial Records

(1) Information is based on modified accrual.

Instruction expenditures function is shown in total for years 1995 through 2001.

2001	2000	1999	1998	1997	1996
8,989,914	\$ 7,315,897	\$ 8,569,210	\$ 7,488,759	\$ 6,964,001	\$ 7,061,834
1,463,997	1,501,468	1,397,890	1,104,237	1,082,240	1,063,857
202,608	213,126	78,731	78,243	55,823	70,627
10,349	4,540	4,440	0	0	0
0	0	0	0	0	0
19,483	13,000	11,815	11,503	2,465	2,605
0	0	0	0	0	0
63,915	35,256	51,845	111,225	10,546	33,675
<u>\$ 10,750,266</u>	<u>\$ 9,083,287</u>	<u>\$ 10,113,931</u>	<u>\$ 8,793,967</u>	<u>\$ 8,115,075</u>	<u>\$ 8,232,598</u>
\$ 5,956,018	\$ 5,529,404	\$ 4,983,086	\$ 4,649,993	\$ 4,438,133	\$ 4,882,216
0	0	0	0	0	0
0	0	0	0	0	0
513,435	484,823	452,600	411,850	409,868	428,593
636,792	534,275	510,152	521,529	508,684	529,084
108,542	126,442	121,747	174,972	170,053	157,225
738,382	703,042	689,902	660,734	657,805	718,391
366,007	353,711	327,074	302,610	293,054	292,982
141,525	151,652	130,973	136,208	131,479	125,953
1,084,988	870,150	900,720	838,722	786,629	897,377
584,159	574,462	499,391	496,752	444,278	479,663
360,718	313,542	308,840	290,905	332,302	318,633
48,370	5,513	57,104	16,529	0	0
0	0	0	0	0	0
<u>\$ 10,538,936</u>	<u>\$ 9,647,016</u>	<u>\$ 8,981,589</u>	<u>\$ 8,500,804</u>	<u>\$ 8,172,285</u>	<u>\$ 8,830,117</u>

Independence Local School District

*Property Tax Levies and Collections, Real, Public Utility Tax and Tangible Personal Property (1)
Last Ten Calendar Years*

Year (2)	Current Levy	Delinquent Levy	Total Levy	Current Collections
2004	\$ 12,383,944	\$ 1,110,263	\$ 13,494,207	\$ 11,647,680
2003	12,550,741	1,142,032	13,692,773	11,553,251
2002	11,978,491	899,539	12,878,030	10,667,770
2001	10,732,609	593,173	11,325,782	10,344,450
2000	10,659,775	494,673	11,154,448	9,722,010
1999	9,211,180	479,580	9,690,760	9,027,952
1998	9,049,007	758,735	9,807,742	8,568,423
1997	8,489,440	829,183	9,318,623	8,080,313
1996	7,982,477	683,606	8,666,083	6,564,622
1995	7,891,816	464,093	8,355,909	5,804,547

Source: Cuyahoga County Auditors - Data is presented on a calendar year basis because that is the matter in which the information is maintained by the County Auditor.

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2005 information cannot be presented because all collections have not been made by June 30.

Percent of Current Levy Collected	Delinquent Collection	Total Collections (3)	Total Collections as a Percent of Current Levy
94.05%	\$ 494,041	\$ 12,141,721	98.04%
92.05%	432,210	11,985,461	95.50%
89.06%	395,401	11,063,171	92.36%
96.38%	440,324	10,784,774	100.49%
91.20%	394,186	10,116,196	94.90%
98.01%	578,633	9,606,585	104.29%
94.69%	421,079	8,989,502	99.34%
95.18%	321,788	8,402,101	98.97%
82.24%	217,453	6,782,075	84.96%
73.55%	135,181	5,939,728	75.26%

Independence Local School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years

Collection Year	Real Property		Public Utility		Tangible Personal Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2005	\$ 472,651,150	\$ 1,350,431,857	\$ 25,368,400	\$ 28,827,727	\$ 42,971,606	\$ 171,886,424
2004	466,620,460	1,333,201,314	22,120,190	25,136,580	49,910,985	199,643,940
2003	435,234,900	1,243,528,286	21,770,270	24,738,943	58,832,880	235,331,520
2002	430,253,880	1,229,296,800	18,013,390	20,469,761	63,851,343	255,405,372
2001	413,535,520	1,181,530,057	24,740,020	28,113,659	57,941,478	231,765,912
2000	354,627,200	1,013,220,571	26,070,840	29,625,955	53,400,026	213,600,104
1999	345,177,050	986,220,143	30,688,820	34,873,659	49,644,275	198,577,100
1998	329,554,390	941,583,971	26,540,300	30,159,432	49,559,054	198,236,216
1997	299,600,680	856,001,943	27,091,360	30,785,636	47,041,383	188,165,532
1996	292,267,440	835,049,829	27,574,380	31,334,523	46,563,410	186,253,640

Source: Cuyahoga County Auditor - Data is presented on a calendar year basis as this is the manner in which Information is maintained by the County Auditor

(1) This amount is calculated based on the following percentages:

Real Estate is assessed at 35 percent of actual value.

Public utility personal is assessed at 88 percent of actual value.

Tangible personal property is assessed at 25 percent for capital assets and 23 percent for inventory.

Total	
<u>Assessed Value</u>	<u>Estimated Actual Value</u>
\$ 540,991,156	\$ 1,551,146,008
538,651,635	1,557,981,834
515,838,050	1,503,598,749
512,118,613	1,505,171,933
496,217,018	1,441,409,628
434,098,066	1,256,446,630
425,510,145	1,219,670,902
405,653,744	1,169,979,619
373,733,423	1,074,953,111
366,405,230	1,052,637,992

Independence Local School District
Property Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

Collection Year	School Levy	County Levy	Library Levy	City Levy	Total Levy	Debt Service Included in Total Levy			
						School	County	City	Total
2005	\$ 26.00	\$ 18.30	\$ 2.00	\$ 2.80	\$ 49.10	\$ 2.60	\$ 0.88	\$ 0.60	\$ 4.08
2004	25.70	18.00	1.40	2.80	47.90	2.30	0.91	0.60	3.81
2003	25.70	16.20	1.40	3.20	46.50	2.30	1.00	0.91	4.21
2002	23.40	16.20	1.40	3.20	44.20	0.00	1.00	0.86	1.86
2001	23.40	16.20	1.40	3.30	44.30	0.00	1.10	0.79	1.89
2000	23.40	15.30	1.40	3.50	43.60	0.00	1.30	0.85	2.15
1999	23.40	15.30	1.40	3.60	43.70	0.00	1.40	0.27	1.67
1998	23.40	15.30	1.40	3.60	43.70	0.00	1.40	0.72	2.12
1997	23.40	15.30	1.40	3.60	43.70	0.00	1.40	0.63	2.03
1996	23.40	15.30	1.40	3.60	43.70	0.00	1.40	0.87	2.27

Source: Cuyahoga County Auditors - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

Independence Local School District
*Ratio of Net General Obligation Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Three Years (4)*

Collection Year	Net General Obligation Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
2005	\$ 16,660,183	\$ 540,991,156	7,100	3.08%	\$ 2,347
2004	17,844,157	538,651,635	7,100	3.31%	2,513
2003	17,869,256	515,838,050	7,100	3.46%	2,517

Sources:

- (1) School District Financial Records
- (2) Cuyahoga County Auditor.
- (3) U.S. Census of Population (estimated), 2000 Federal Census.
Cuyahoga County Planning Commission
- (4) Prior to 2003, the School District did not have general obligation bonded debt.

Independence Local School District
Computation of Legal Debt Margin
June 30, 2005

	Total Voted Debt Margin (a)	Total Unvoted Debt Margin (b)	Total Notes Payable Debt Margin (c)
Assessed Valuation Collection Year 2005	\$ 540,991,156	\$ 540,991,156	\$ 540,991,156
Overall Debt Limit Bonded	48,689,204	540,991	4,868,920
Outstanding Debt:			
General Obligation Bonds	17,200,000	17,200,000	17,200,000
Capital Appreciation Bonds	140,000	140,000	140,000
Notes Payable	1,500,000	1,500,000	1,500,000
Total Outstanding Debt	18,840,000	18,840,000	18,840,000
Exemptions:			
General Obligation Bonds	0	(17,200,000)	(17,200,000)
Capital Appreciation Bonds	0	(140,000)	(140,000)
Notes Payable	(1,500,000)	(1,500,000)	-
Total Exemptions	(1,500,000)	(18,840,000)	(17,340,000)
Less: Amount Available in Debt Service Fund	(824,839)	-	-
Net Debt Subject to Debt Limitation	16,515,161	-	1,500,000
Total Legal Debt Margin (Debt Limitation Less Net Debt Subject to Debt Limitation)	\$ 32,174,043	\$ 540,991	\$ 3,368,920

Source: Cuyahoga County Auditor and School District Financial Records

- (a) The legal voted debt margin for school districts in Ohio is 9 percent of the assessed valuation.
- (b) The legal unvoted debt margin for school districts in Ohio is 0.1 percent of the assessed valuation.
The District has no unvoted debt subject to the legal unvoted debt margin.
- (c) The legal notes payable debt margin for school districts in Ohio is 0.9 percent of the assessed valuation.

Independence Local School District
Computation of Direct & Overlapping General Obligation Bonded Debt
December 31, 2004

	General Obligation Bonded Debt Outstanding	Percentage Applicable to School District (1)	Amount Application to School District
Direct:			
Independence Local School District	\$ 17,396,295	100.00%	\$ 17,396,295
Overlapping:			
Independence City	26,011,213	100%	26,011,213
Cuyahoga County	241,445,000	2%	3,863,120
Regional Transit Authority	147,025,000	2%	2,352,400
Total Overlapping	414,481,213		32,226,733
Total	\$ 431,877,508		\$ 49,623,028

Source: Cuyahoga County Auditor and City of Independence - Data is presented on a calendar year basis because that is the manner in which information is maintained.

- (1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2004 collection year.

Independence Local School District
Demographic Statistics
Last Ten Years

Year	Cuyahoga County Population (1)	Independence City Population (12)	School Enrollment (3)	Unemployment Rate (4)
2005	1,380,421	7,100	1,158	5.7
2004	1,380,421	7,100	1,150	6.8
2003	1,380,421	7,100	1,118	6.7
2002	1,393,978	7,100	1,069	4.6
2001	1,380,421	7,100	1,002	4.5
2000	1,386,096	6,800	997	4.5
1999	1,386,096	6,800	987	4.6
1998	1,397,694	6,800	948	4.4
1997	1,398,169	6,800	925	5.8
1996	1,403,217	6,800	923	5.2

Sources:

- (1) Estimated Figure from U.S. Census Bureau
- (2) U.S. Census of Population (estimated), 2000 Federal Census
- (3) School District Records.
- (4) Ohio Bureau of Employment Services

Independence Local School District
*Property Values, Financial Institution Deposits
and Building Permits
Last Ten Years*

Year	Property Value (Real Estate Only)	Financial Institution Deposits Banks (1)	Value of Permits Issued Cuyahoga County
2004	\$ 472,651,150	\$ 101,838,959	\$ 23,839,267
2003	466,620,460	93,879,318	18,000,000
2002	430,253,880	95,760,917	22,063,809
2001	413,535,520	88,346,368	25,798,096
2000	354,627,200	61,942,764	20,967,763
1999	345,177,050	57,816,942	49,985,220
1998	329,554,390	60,846,022	59,492,417
1997	299,600,680	53,941,971	41,511,574
1996	292,267,440	27,068,211	36,608,880
1995	288,916,210	22,458,573	14,512,500

Sources: City of Independence Building Department reports
and Federal Reserve Bank of Cleveland.

(1) 2004 Information currently unavailable.

Independence Local School District

Principal Taxpayers

December 31, 2004

<u>Name of Taxpayer</u>	<u>Appraised Valuation</u>
Duke Realty, Inc.	\$ 76,256,000
Summit Office Park Limited Partnership	54,552,000
Duke Realty Limited Partnership	46,188,400
The Cleveland Clinic	34,259,000
Rockside-77 Properties Ltd	32,340,400
Cleveland Electric Illuminating Company	19,387,630
Independence Suites	19,229,100
6055 Properties	16,050,300
Minoff Industrial Park Co.	14,100,700
Rockside Center	<u>11,754,500</u>
Total	<u>\$ 324,118,030</u>
 <i>Total Real Assessed Value</i>	 <u>\$ 540,991,156</u>

These taxpayers were selected based solely upon a review of the 200 taxable parcels of real, personal and public utility property with the highest appraised valuation. A taxpayer owning many smaller parcels would not be included in this list even if the aggregate appraised valuation of such parcels exceeded that of one or more taxpayers on the list.

Source: Cuyahoga County Auditor's Office, IST Division-tax year data.

Independence Local School District
Cost Per Pupil
Last Ten Fiscal Years

Year	General Fund Expenditures	Average Daily Student Enrollment	Cost Per Pupil
2005	\$ 11,998,134	1,158	\$ 10,361
2004	12,282,290	1,150	10,680
2003	12,638,773	1,118	11,305
2002	11,713,777	1,069	10,958
2001	10,538,936	1,002	10,518
2000	9,647,016	997	9,676
1999	8,981,589	987	9,100
1998	8,500,804	948	8,967
1997	8,172,285	925	8,835
1996	8,830,117	923	9,567

Source: School District Financial Records



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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
JULY 06, 2006**