



**INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2005. 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated January 28, 2005.

#### **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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated January 28, 2005.

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

This report is intended solely for the information and use of the audit committee, management, and the Board of Education and is not intended to be and should not be used by 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

January 28, 2005

**INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FOR THE YEAR ENDED JUNE 30, 2004  
SCHEDULE OF PRIOR AUDIT FINDING**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected ?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2003-001	Several funds had original appropriations in excess of the original certificate of total estimated revenue contrary to Ohio Rev. Code § 5705.39.	No	Repeated in management letter of the June 30, 2004 audit report.





# **Independence Local School District**

**Independence, Ohio ~ Cuyahoga County**

## **Comprehensive Annual Financial Report**



**Fiscal Year Ended June 30, 2004**



**Independence Local School District**  
*Independence, Ohio*

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

Prepared by

Treasurer's Office  
Allen D. Sluka  
Treasurer/Chief Financial Officer

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**Independence Local School District**  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2004*  
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# INDEPENDENCE LOCAL SCHOOLS

EDUCATIONAL ADMINISTRATIVE CENTER • 7733 STONE ROAD  
INDEPENDENCE, OHIO 44131 • FAX# (216) 642-3482

January 28, 2005

David J. Laurenzi  
Superintendent  
(216) 642-5850

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

Allen D. Sluka  
Treasurer  
(216) 642-5854

We are pleased to submit to you the seventh Comprehensive Annual Financial Report (CAFR) of the Independence Local School District. This report provides full disclosure of the financial operation of the School District for the fiscal year ended June 30, 2004. 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 Independence Local 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 T. McDermott  
Director of  
Curriculum  
& Instruction  
(216) 642-5852

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

Richard J. 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
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 Independence Local School District.

Al Yano  
Service Manager  
(216) 642-5853

## School District Organization

Independence Local School District is one of the 613 school districts in the State of Ohio and one of the 33 school districts in Cuyahoga County. The School District provides education to 1,150 students in grades K-12 and preschool education to eight handicapped/non-handicapped students. Independence Local 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 Independence Local 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 District for financial reporting purposes, management has considered all agencies, departments, and organizations making up the 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 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.

### **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 1,300 businesses in the City are in the service, financial, insurance or real estate trade. The City boasts almost 2,000 hotel rooms, 11 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* Independence Local 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 2003 were as follows:*

- Received the Certificate of Excellence in Financial Reporting from the Government Finance Officer's Association (GFOA), for the sixth consecutive year.
- The School District continues to perform well on the State established Local Report Card. The 2004 Local Report Card reflected having met 17 of the 18 State criteria, placing the School District in the "excellent" 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.
- 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 7<sup>th</sup> 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 2004.

## **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 \$158,518 for the year ending June 30, 2004, with \$157,757 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 2004, 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 holds 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 annually 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, 2004. 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 Independence Local School District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. 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.

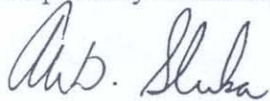
## Acknowledgements

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.

Appreciation must also be given to the Office of the Auditor of State-Cleveland Region who gave their valuable advice and assistance in the preparation of this CAFR.

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,



Allen D. Sluka  
Treasurer/Chief Financial Officer



David J. Laurenzi  
Superintendent

**Independence Local School District**

*Principal Officials*

*June 30, 2004*

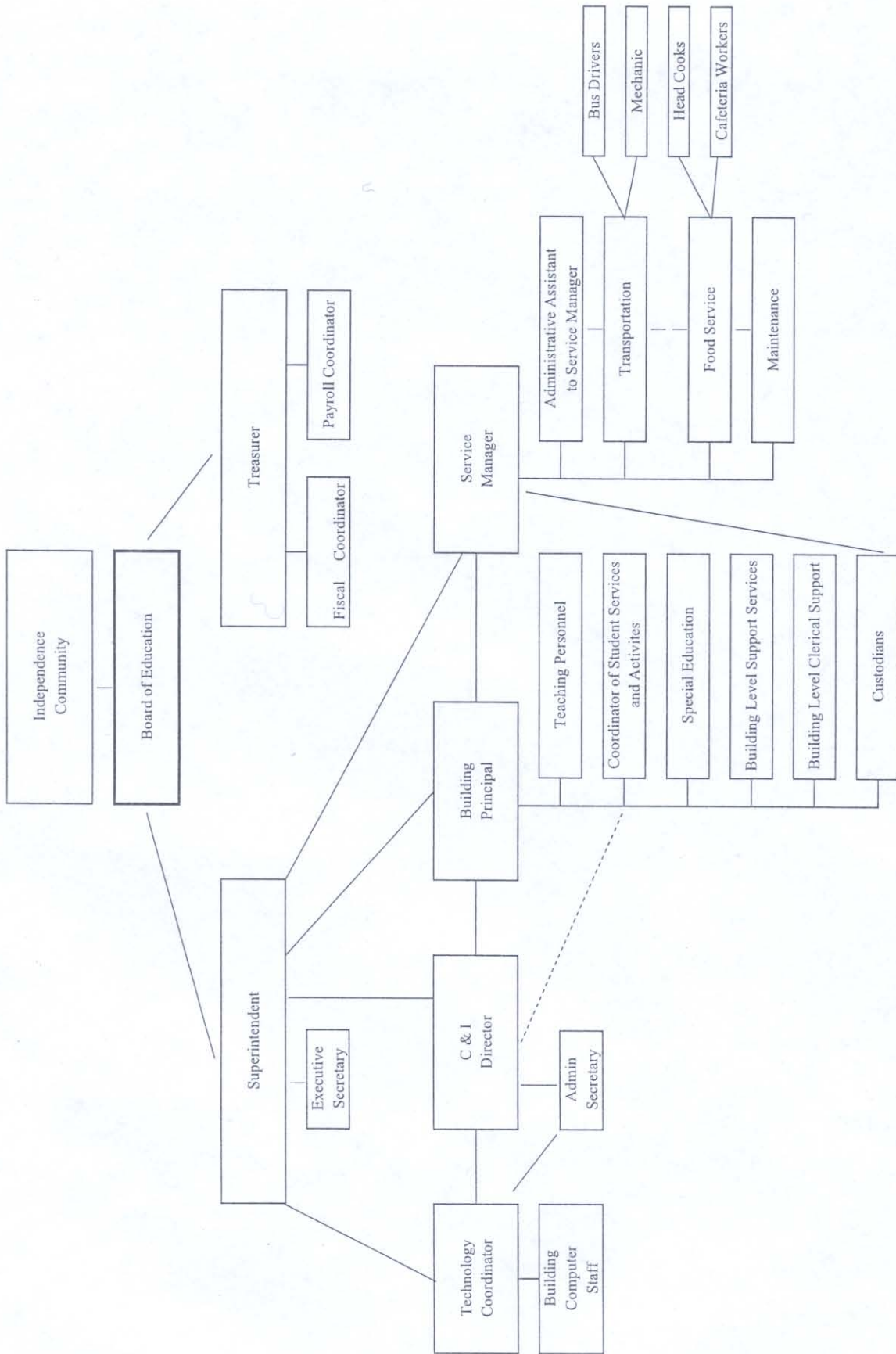
***Board of Education***

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

***Appointed Officials***

David J. Laurenzi..... Superintendent  
Allen D. Sluka ..... Treasurer/Chief Financial Officer  
Richard T. McDermott ..... Director of Curriculum and Instruction  
Richard C. Forney ..... High 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, 2003

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.



*Nancy L. Zelle*

President

*Jeffrey R. Emer*

Executive Director





## 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, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio, as of June 30, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund thereof 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 January 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions 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 are presented for additional analysis 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.

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

**Betty Montgomery**  
Auditor of State

January 28, 2005

**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

*Unaudited*

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The discussion and analysis of Independence Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- ◆ In total, net assets of governmental activities increased \$5,895,289, which represents a 317.9 percent increase from 2003.
- ◆ Revenues for governmental activities totaled \$22,041,551 in 2004. Of this total, \$21,383,863 or 97 percent consisted of General revenues while Program revenues accounted for the balance of \$657,668 or 3 percent.
- ◆ Total assets of governmental activities increased by \$5,547,563 that includes cash and cash equivalent decrease of \$10,739,390, taxes receivable increase of \$551,700, and nondepreciable capital asset increase of \$16,021,214.
- ◆ Program expenses totaled \$16,146,262. Instructional expenses made up \$8,432,090 or 52 percent of this total while support services accounted for \$5,940,520 or 37 percent. Other expenses, \$1,773,652 rounded out the remaining 11 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 Independence Local 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, 2004*

*Unaudited*

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***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 2004?" 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, operation of non-instructional 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 10. 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, 2004*

*Unaudited*

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***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 2004 compared to 2003:

**Table 1**  
 Net Assets  
 Governmental Activities

	2004	2003
<b>Assets</b>		
Current and Other Assets	\$17,764,285	\$28,014,460
Capital Assets, Net	22,588,034	6,790,296
<i>Total Assets</i>	40,352,319	34,804,756
<b>Liabilities</b>		
Current Liabilities	12,861,406	13,208,016
Long-term Liabilities		
Due within One Year	801,761	546,701
Due Within More Than One Year	18,939,436	19,195,612
<i>Total Liabilities</i>	32,602,603	32,950,329
<b>Net Assets</b>		
Invested in Capital Assets, net of Related Debt	4,523,823	4,070,178
Restricted For:		
Debt Service	734,311	267,684
Other Purpose	61,473	48,777
Unrestricted	2,430,109	(2,532,212)
<i>Total Net Assets</i>	\$7,749,716	\$1,854,427

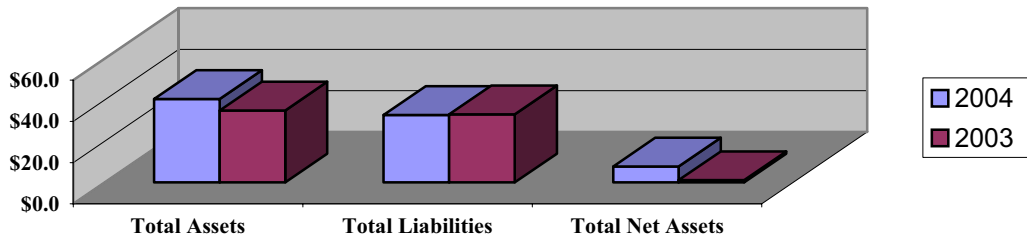
Graph 1  
 (in millions)

	2004	2003
Total Assets	\$40.3	\$34.8
Total Liabilities	32.6	32.9
Total Net Assets	\$7.7	\$1.9

**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

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**Governmental Activities**  
(in Millions)



Total assets increased \$5,547,563. The majority of this increase can be attributed directly to the area of nondepreciable capital assets, which increased \$16,021,214. This increase was derived from construction in progress of new high school building. However, the overall increase was offset by a decrease of \$10,739,390 in equity in pooled cash and cash equivalents due to construction costs incurred.

Total liabilities decreased by \$347,726. A combination of increases and decreases contributed to this overall decrease. Current liabilities decreased \$396,610, which includes a decrease in deferred revenue of \$678,314.

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 \$5,895,289.

The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$21,383,863 or 97 percent of total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$657,688 or only 3 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2004 and 2003.

**Table 2**  
Governmental Activities

	2004	2003
<b>Program Revenues</b>		
Charges for Services and Sales	\$332,162	\$315,224
Operating Grants, Interest and Contributions	325,526	363,277
Capital Grants and Contributions	0	38,772
<i>Total Program Revenues</i>	<u>\$657,688</u>	<u>\$717,273</u>
<b>General Revenues</b>		
Property Taxes	\$12,399,047	\$9,869,492
Grants and Entitlements	8,794,973	1,707,455
Investments	158,518	462,928
Miscellaneous	31,325	45,333
<i>Total General Revenues</i>	<u>21,383,863</u>	<u>12,085,208</u>
<i>Total Revenues</i>	<u>22,041,551</u>	<u>12,802,481</u>

**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

*Unaudited*

**Program Expenses**

Instruction		
Regular	7,580,254	7,675,858
Special	851,836	778,116
Support Services		
Pupil	713,694	620,327
Instructional Staff	1,259,504	1,126,489
Board of Education	126,942	146,266
Administration	1,009,517	889,121
Fiscal	524,616	462,864
Business	199,691	178,572
Operation and Maintenance of Plant	1,421,639	1,334,835
Pupil Transportation	679,183	764,287
Central	5,734	4,993
Operation of Non-Instructional Services	205,301	275,967
Food Service Operations	325,792	322,359
Extracurricular Activities	474,723	525,501
Interest and Fiscal Charges	767,386	715,449
<i>Total Program Expenses</i>	<u>16,146,262</u>	<u>15,821,004</u>
<i>Change in Net Assets</i>	5,895,289	(3,018,523)
<i>Net Assets Beginning of Year</i>	<u>1,854,427</u>	<u>4,872,950</u>
<i>Net Assets End of Year</i>	<u><u>\$7,749,716</u></u>	<u><u>\$1,854,427</u></u>

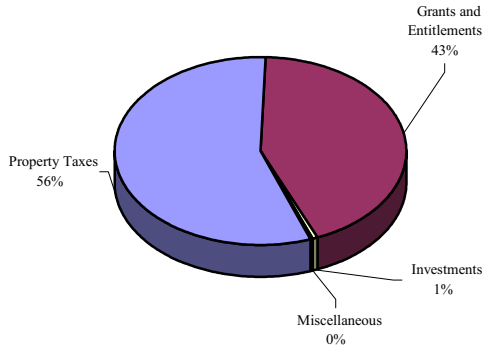
***Governmental Activities***

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 56 percent of revenues for governmental activities for Independence Local School District in fiscal year 2004. 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 cost.

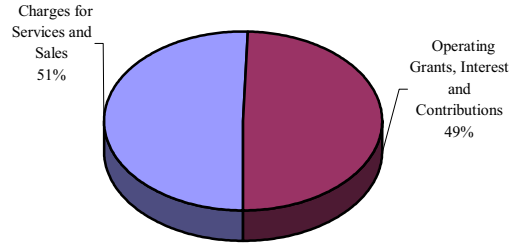
**Independence Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Table 2**  
**General Revenues**



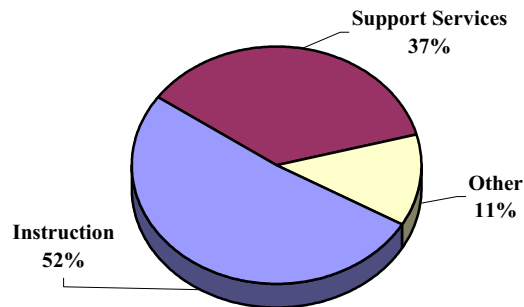
**Table 3**  
**Program Revenues**



Instruction comprises 52 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 37 percent. The remaining 11 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.

	2004
Instruction	\$ 8,432,090
Support Services	5,940,520
Other	1,773,652
<b>Total</b>	<b>\$16,146,262</b>

**Program Expenses**





**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

*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 government 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**  
 Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,580,254	\$7,503,003	\$7,675,858	\$7,618,562
Special	851,836	830,887	778,116	719,955
Support Services:				
Pupils	713,694	707,170	620,327	618,299
Instructional Staff	1,259,504	1,247,579	1,126,489	1,082,057
Board of Education	126,942	126,942	146,266	146,266
Administration	1,009,517	1,009,517	889,121	889,121
Fiscal	524,616	524,616	462,864	462,864
Business	199,691	177,532	178,572	158,664
Operation and Maintenance of Plant	1,421,639	1,413,049	1,334,835	1,326,804
Pupil Transportation	679,183	679,183	764,287	749,902
Central	5,734	734	4,993	(7)
Operation of Non-Instructional Services	205,301	4,320	275,967	61,270
Food Service Operations	325,792	63,137	322,359	62,691
Extracurricular Activities	474,723	433,069	525,501	491,564
Interest and Fiscal Charges	767,836	767,836	715,449	715,449
<b>Total</b>	<u><u>\$16,146,262</u></u>	<u><u>\$15,488,574</u></u>	<u><u>\$15,821,004</u></u>	<u><u>\$15,103,731</u></u>

The dependence upon tax revenues for governmental activities is apparent. Over 77 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 54 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 4 percent of all governmental expenses. The community, as a whole, is by far the primary support for Independence Local School District students.

**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

*Unaudited*

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**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 \$21,657,393 and expenditures of \$31,936,219. The net change in fund balance for the year was most significant in the building fund, with a decrease of \$10,874,207. This decrease was from costs incurred in construction of a new high school.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2004, 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 \$11,722,062, \$243,343 above original budget estimates of \$11,478,719. The main difference between the original and final estimates was due to an underestimation of property and other local taxes.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$12,414,716, \$600,422 above actual revenues. The School District's unencumbered ending balance totaled (\$97,790), which was significantly above the original budgeted amount.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the School District had \$22,588,034 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2004 values compared to 2003. 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, 2004*

*Unaudited*

**Table 4**  
 Capital Assets at June 30  
 Governmental Activities

	2004	2003
Land	\$193,771	\$193,771
Land Improvements	180,266	194,133
Construction in Progress	18,734,998	2,713,784
Building and Improvements	2,586,366	2,719,839
Furniture and Equipment	471,485	590,872
Vehicles	421,148	377,897
Total Capital Assets	\$22,588,034	\$6,790,296

All capital assets, except land, are reported net of depreciation. As one can see, both increases and decreases in capital assets took place during the fiscal year. The decreases occurred in furniture and equipment and building improvements. The increase occurred in land improvements through the installation of new track at the high school and construction in progress of the new high school and shared facility.

For fiscal year 2004, 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 2004, this amounted to \$159,090 for each set aside. For fiscal year 2004, 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, 2004, the School District has \$18,064,211 in bonds outstanding for construction of a new high school and to convert the current high school into a middle school. More detailed information is presented in Note 15 of the notes to the basic financial statements.

At June 30, 2004, the School District's overall legal debt margin was \$31,296,523 with an unvoted debt margin of \$538,652. The debt is well within permissible limits. The School District maintains an AA bond rating from Standard and Poor's.

**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 five-year emergency operating levy on the ballot. Thus management must diligently plan expenses from this levy, staying carefully within its timeframe.

**Independence Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2004*

*Unaudited*

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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 and 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 contact Allen D. Sluka, Treasurer/Chief Financial Officer, at Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or e-mail at [asluka@independence.k12.oh.us](mailto:asluka@independence.k12.oh.us).

## Basic Financial Statements

# Independence Local School District

## Statement of Net Assets

June 30, 2004

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,042,294
Accounts Receivable	13,136
Intergovernmental Receivable	2,447
Accrued Interest Receivable	15,370
Inventory Held for Resale	4,534
Materials and Supplies Inventory	7,153
Taxes Receivable	12,463,530
Deferred Charges	215,821
Nondepreciable Capital Assets	18,928,769
Depreciable Capital Assets, Net	3,659,265
<i>Total Assets</i>	<u>40,352,319</u>
<b>Liabilities</b>	
Accounts Payable	124,145
Contracts Payable	1,357,000
Accrued Wages	913,965
Matured Compensated Absences Payable	188,054
Intergovernmental Payable	227,083
Deferred Revenue	9,987,929
Accrued Interest Payable	63,230
Long-Term Liabilities:	
Due Within One Year	801,761
Due In More Than One Year	18,939,436
<i>Total Liabilities</i>	<u>32,602,603</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,523,823
Restricted for:	
Debt Service	734,311
Other Purposes	61,473
Unrestricted (Deficit)	2,430,109
<i>Total Net Assets</i>	<u><u>\$7,749,716</u></u>

See accompanying notes to the basic financial statements

**Independence Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$7,580,254	\$57,332	\$19,919	\$0	(\$7,503,003)
Special	851,836	0	20,949	0	(830,887)
Support Services:					
Pupils	713,694	0	6,524	0	(707,170)
Instructional Staff	1,259,504	0	11,925	0	(1,247,579)
Board of Education	126,942	0	0	0	(126,942)
Administration	1,009,517	0	0	0	(1,009,517)
Fiscal	524,616	0	0	0	(524,616)
Business	199,691	22,159	0	0	(177,532)
Operation and Maintenance of Plant	1,421,639	8,590	0	0	(1,413,049)
Pupil Transportation	679,183	0	0	0	(679,183)
Central	5,734	0	5,000	0	(734)
Operation of Non-Instructional Services	205,301	0	200,981	0	(4,320)
Food Service Operations	325,792	208,028	54,627	0	(63,137)
Extracurricular Activities	474,723	36,053	5,601	0	(433,069)
Interest and Fiscal Charges	767,836	0	0	0	(767,836)
<i>Total Governmental Activities</i>	<u>\$16,146,262</u>	<u>\$332,162</u>	<u>\$325,526</u>	<u>\$0</u>	<u>(15,488,574)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,800,199
Debt Service	1,224,180
Capital Outlay	374,668
Grants and Entitlements not Restricted to Specific Programs	8,794,973
Investment Earnings	158,518
Miscellaneous	31,325

*Total General Revenues* 21,383,863

Change in Net Assets 5,895,289

*Net Assets Beginning of Year* 1,854,427

*Net Assets End of Year* \$7,749,716

See accompanying notes to the basic financial statements

**Independence Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Bond Retirement	Building	Permanent Improvement
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$32,418	\$485,623	\$4,366,766	\$87,596
Taxes Receivable	10,778,946	1,294,219	0	390,365
Accounts Receivable	13,136	0	0	0
Accrued Interest Receivable	15,370	0	0	0
Intergovernmental Receivable	0	0	0	0
Interfund Receivable	9,000	0	104,000	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	7,000	0	0	0
<i>Total Assets</i>	<u>\$10,855,870</u>	<u>\$1,779,842</u>	<u>\$4,470,766</u>	<u>\$477,961</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$112,830	\$0	\$0	\$642
Contracts Payable	0	0	1,357,000	0
Accrued Wages and Benefits	894,298	0	0	0
Interfund Payable	0	0	0	104,000
Intergovernmental Payable	217,467	0	0	0
Matured Compensated Absences Payable	188,054	0	0	0
Deferred Revenue	9,367,976	1,131,966	0	352,340
<i>Total Liabilities</i>	<u>10,780,625</u>	<u>1,131,966</u>	<u>1,357,000</u>	<u>456,982</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	17,932	0	10,315,245	17,887
Reserved for Property Taxes	1,410,970	162,253	0	38,025
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	(1,353,657)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	485,623	0	0
Capital Projects Funds	0	0	(7,201,479)	(34,933)
<i>Total Fund (Deficit) Balances</i>	<u>75,245</u>	<u>647,876</u>	<u>3,113,766</u>	<u>20,979</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,855,870</u>	<u>\$1,779,842</u>	<u>\$4,470,766</u>	<u>\$477,961</u>

See accompanying notes to the basic financial statements



**Independence Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Funds Balances</b>	<b>\$3,883,489</b>
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$69,891	\$5,042,294	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$22,588,034
0	12,463,530		
0	13,136		
0	15,370	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
2,447	2,447	Property Taxes	1,075,886
0	113,000	Intergovernmental	<u>(209,086)</u>
4,534	4,534		
153	7,153		
<u>\$77,025</u>	<u>\$17,661,464</u>	Total	\$866,800
		Bond Issuance costs will be amortized over the life of the bond on the statement of net assets.	\$215,820
\$10,673	\$124,145	Long-term liabilities, are not due and payable in the current period and therefore are not reported in	
0	1,357,000	General Obligation Bonds	(17,690,000)
19,667	913,965	Capital Appreciation Bonds	(154,157)
9,000	113,000	Bond Premium	(220,053)
9,615	227,082	Compensated Absences	<u>(1,676,987)</u>
0	188,054		
2,447	10,854,729	Total	(\$19,741,197)
<u>51,402</u>	<u>13,777,976</u>	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	<u>(\$63,230)</u>
9,391	10,360,455	<i>Net Assets of Governmental Activities</i>	<u>\$7,749,716</u>
0	1,611,248		
0	(1,353,657)		
16,213	16,213		
0	485,623		
19	(7,236,393)		
<u>25,623</u>	<u>3,883,489</u>		
<u>\$77,025</u>	<u>\$17,661,464</u>		

**Independence Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Bond Retirement	Building	Permanent Improvement
<b>Revenues</b>				
Property and Other Local Taxes	\$10,506,069	\$1,137,745	\$0	\$367,815
Intergovernmental	1,785,525	116,107	6,811,515	81,826
Interest	157,757	0	0	484
Tuition and Fees	43,024	0	0	0
Extracurricular Activities	0	0	0	0
Contributions and Donations	0	0	0	0
Charges for Services	0	0	0	0
Rentals	8,590	0	0	0
Miscellaneous	9,443	0	19,675	0
<i>Total Revenues</i>	<u>12,510,408</u>	<u>1,253,852</u>	<u>6,831,190</u>	<u>450,125</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,235,485	0	0	69,273
Special	698,329	0	0	0
Support Services:				
Pupils	601,283	0	0	0
Instructional Staff	1,004,299	0	0	0
Board of Education	109,751	0	0	0
Administration	837,287	0	0	0
Fiscal	446,309	8,976	0	0
Business	149,487	0	0	278
Operation and Maintenance of Plant	1,144,248	0	0	56,670
Pupil Transportation	634,992	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Operation of Food Services	0	0	0	0
Extracurricular Activities	394,538	0	0	0
Capital Outlay	26,282	0	17,705,397	226,371
Debt Service:				
Principal Retirement	0	170,000	0	0
Interest and Fiscal Charges	0	758,198	0	0
<i>Total Expenditures</i>	<u>12,282,290</u>	<u>937,174</u>	<u>17,705,397</u>	<u>352,592</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>228,118</u>	<u>316,678</u>	<u>(10,874,207)</u>	<u>97,533</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	0
Transfers Out	(81,309)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(81,309)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	146,809	316,678	(10,874,207)	97,533
<i>Fund Balances (Deficit) Beginning of Year</i>	(71,564)	331,198	13,987,973	(76,554)
<i>Fund Balances (Deficit) End of Year</i>	<u>\$75,245</u>	<u>\$647,876</u>	<u>\$3,113,766</u>	<u>\$20,979</u>

See accompanying notes to the basic financial statements

**Independence Local School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$10,278,825</b>
		<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 capital outlays exceeded depreciation in the current period.	
\$0	\$12,011,629	Capital Outlay	16,174,380
323,207	9,118,180	Depreciation	<u>(376,642)</u>
277	158,518		
0	43,024		
57,659	57,659		
0	0		
222,336	222,336		
0	8,590		
8,339	37,457		
<u>611,818</u>	<u>21,657,393</u>	Total	15,797,738
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Property Taxes	387,418
29,115	6,333,873	Grants	<u>231,670</u>
32,358	730,687		
4,786	606,069	Total	619,088
3,873	1,008,172	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	
0	109,751	Amoritzation of Premium	4,366
0	837,287	Compensated Absences	(169,858)
0	455,285	Bond Accretion	<u>(14,157)</u>
23,161	172,926		
0	1,200,918	Total	(179,649)
0	634,992	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, and interest expenditure is reported when due.	
5,000	5,000	Accrued Interest	(63,230)
184,372	184,372	Bond Premium	8,796
312,978	312,978	Bond Issuance Costs	<u>(8,628)</u>
61,697	456,235		
1,425	17,959,475	Total	<u>(63,062)</u>
0	170,000	<i>Change in Net Assets of Governmental Activities</i>	<u>\$5,895,289</u>
0	758,198		
<u>658,765</u>	<u>31,936,218</u>		
<u>(46,947)</u>	<u>(10,278,825)</u>		
81,309	81,309		
0	(81,309)		
<u>81,309</u>	<u>0</u>		
34,362	(10,278,825)		
<u>(8,739)</u>	<u>14,162,314</u>		
<u>\$25,623</u>	<u>\$3,883,489</u>		

**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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$9,353,269	\$9,676,612	\$9,766,992	\$90,380
Intergovernmental	\$1,700,450	\$1,785,450	\$1,785,525	\$75
Interest	\$350,000	\$200,000	\$202,243	\$2,243
Tuition and Fees	\$50,000	\$40,000	\$43,024	\$3,024
Rentals	\$10,000	\$5,000	\$6,300	\$1,300
Miscellaneous	\$15,000	\$15,000	\$10,190	(\$4,810)
<i>Total Revenues</i>	11,478,719	11,722,062	11,814,274	92,212
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,049,586	6,251,586	6,249,344	2,242
Special	649,572	721,572	681,340	40,232
Support Services:				
Pupils	680,185	614,585	599,766	14,819
Instructional Staff	995,466	1,045,766	1,044,780	986
Board of Education	148,533	103,533	101,188	2,345
Administration	925,792	891,592	890,244	1,348
Fiscal	464,800	455,800	454,723	1,077
Business	155,570	159,070	148,616	10,454
Operation and Maintenance of Plant	1,235,397	1,214,397	1,188,307	26,090
Pupil Transportation	692,095	649,795	636,748	13,047
Extracurricular Activities	413,800	396,400	392,778	3,622
Capital Outlay	23,764	26,964	26,882	82
<i>Total Expenditures</i>	12,434,560	12,531,060	12,414,716	116,344
<i>Excess of Revenues Under Expenditures</i>	(955,841)	(808,998)	(600,442)	208,556
<b>Other Financing Uses</b>				
Advances Out	0	0	(800)	(800)
Transfers Out	(80,000)	(85,000)	(81,309)	3,691
<i>Total Other Financing Uses</i>	(80,000)	(85,000)	(82,109)	2,891
<i>Net Change in Fund Balance</i>	(1,035,841)	(893,998)	(682,551)	211,447
<i>Fund Balance Beginning of Year</i>	521,781	521,781	521,781	0
Prior Year Encumbrances Appropriated	62,980	62,980	62,980	0
<i>Fund Balance End of Year</i>	(\$451,080)	(\$309,237)	(\$97,790)	\$211,447

See accompanying notes to the basic financial statements.

**Independence Local School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2004*

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	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$8,080</u>	<u>\$101,643</u>
<b>Liabilities</b>		
Undistributed Monies	0	\$0
Due to Students	<u>0</u>	<u>101,643</u>
Total Liabilities	<u>0</u>	<u>\$101,643</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>8,080</u>	
Total Net Assets	<u>\$8,080</u>	

See accompanying notes to the basic financial statements

**Independence Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2004*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$403
<b>Deductions</b>	
Scholarships Awarded	<u>500</u>
<i>Change in Net Assets</i>	(97)
<i>Net Assets Beginning Year</i>	<u>8,177</u>
<i>Net Assets End of Year</i>	<u><u>\$8,080</u></u>

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, 2004*

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### **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 75 classified employees, 87 certificated teachers, and 7 certificated administrators who provide services to 1,150 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, 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, 2004*

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### **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.

#### ***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, 2004*

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**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 construction, 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 private organizations and 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.

**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.

## Independence Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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.

### ***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.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 2004, the School District's investments were limited to STAROhio, non-negotiable certificates of deposit and overnight repurchase agreements. 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.

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, 2004.

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 2004 amounted to \$157,757, which includes \$156,731 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.

### ***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.

### ***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

**Independence Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated food and purchased food held for resale and supplies held for consumption.

***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 effective interest method. 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.

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.

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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***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 general 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.

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 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.

## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### ***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 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.

### ***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 was 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.

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 3 – Accountability and Compliance**

**A. Accountability**

The following funds had deficit balances at June 30, 2004:

***Special Revenue Funds***

Athletics/District Managed	6,050
Auxiliary Services	10,208
Educational Management Information Systems	18
Title V	3,115
Technology Literacy Challenge	129
Food Service	15,077
Uniform School Supplies	767

The special revenue funds deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, rather than when accruals occur.

**B. Compliance**

The following funds had original and/or year-end appropriations in excess of the original estimated resources and/or year-end and carryover balances contrary to Section 5705.39, Revised Code:

<u>Fund</u>	<u>Original Estimated Resources</u>	<u>Original Appropriations</u>	<u>Excess</u>	<u>Year-End Estimated Resources</u>	<u>Year-End Appropriations</u>	<u>Excess</u>
<b><i>General Fund</i></b>	\$12,063,480	\$12,514,560	\$451,080	\$12,306,823	\$12,616,060	\$309,237
<b><i>Special Revenue Funds</i></b>						
Athletics/District Managed	58,835	62,806	3,971	58,835	66,806	7,971
Auxiliary Services				222,186	224,500	2,314
Title V	8,781	20,845	12,764	20,581	23,226	2,645
Title II-A	17,604	21,274	3,670			
Drug Free Schools	4,302	6,455	2,153	5,002	6,455	1,453
Food Service				297,407	297,525	118
<b><i>Capital Project Funds</i></b>						
Building	29,815,074	29,866,735	51,661	29,815,074	29,866,735	51,661

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
<b><i>Special Revenue Funds</i></b>			
Athletics/District Managed			
Extracurricular Activities	\$66,806	\$69,310	(\$2,504)

Management has indicated that expenditures will be closely monitored to ensure no future violations.

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**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	\$146,809
Net Adjustment for Revenue Accruals	(696,134)
Net Adjustment for Expenditure Accruals	(1,664)
Advance-Out	(800)
Adjustment for Encumbrances	<u>(130,762)</u>
Budget Basis	<u><u>(\$682,551)</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.

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.



## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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.

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.

**Independence Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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.

**Undeposited Cash** At year-end, the School District had \$800 in undeposited cash on hand which is included as part of “equity in pooled cash and cash equivalents.”

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, “Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements”.

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$2,935,523 and the bank balance was \$5,036,546. Of the bank balance:

1. \$402,672 was covered by federal depository insurance; and
2. \$4,633,874 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** GASB Statement No. 3 requires the School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District’s investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$1,504,838	\$1,504,838
STAROhio		710,856
<i>Total Investments</i>	\$1,504,838	\$2,215,694

The classification of cash and cash equivalents, and investments on the fund financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$5,152,017	\$0
STAROhio	(710,856)	710,856
Repurchase Agreements	(1,504,838)	1,504,838
Unrecorded Cash	(800)	0
<i>GASB Statement No. 3</i>	\$2,935,523	\$2,215,694

## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **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 2004 represents collections of calendar year 2003 taxes. Real property tax revenue received in calendar year 2004 were levied after April 1, 2003, on the assessed valuation listed as of January 1, 2003, 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 semi-annually, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003 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, 2004, are available to finance fiscal year 2004 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, 2004 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 revenue.

The amount available as an advance at June 30, 2004 was \$1,410,970 in the general fund, \$162,253 in the bond retirement debt service fund and \$38,025 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$671,893 in the general fund, \$77,267 in the bond retirement debt service fund and \$19,492 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

On a full 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 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$435,234,900	84.37 %	\$466,620,460	86.63 %
Public Utility Personal	21,770,270	4.22	22,120,190	4.11
Tanagible Personal Property	58,832,880	11.41	49,910,985	9.26
Total	\$515,838,050	100.00 %	\$538,651,635	100.00 %
 Tax rate per \$1,000 of assessed valuation	\$25.70		\$25.70	

**Note 7 - Receivables**

Receivables at June 30, 2004, consisted of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Drug Free Schools	\$1,536
Title II-A	911
Total	\$2,447

**Note 8 - Interfund Balances**

The general fund reported an interfund receivable at June 30, 2004 of \$9,000. The following nonmajor special revenue funds had interfund payables: athletics/district managed fund, \$8,000, uniform school supplies fund, \$800 and the title V fund, \$200. These advances were made to provide funding for fiscal year 2004. The building capital projects fund reported an interfund receivable of \$104,000. The permanent improvement capital projects fund had an interfund payable for the same amount. The advance was made to support projects for the permanent improvement capital projects fund.

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 9 - Interfund Transfers**

Transfers made during the year ended June 30, 2004 were as follows:

<u>Transfers In</u>	<u>General Fund Transfers Out</u>
Athletics	\$20,000
Title V	10,809
Food Service	50,500
Total All Other Governmental Funds	<u>\$81,309</u>

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets</i>				
Land	\$193,771	\$0	\$0	\$193,771
Construction in Progress	2,713,784	16,021,214	0	18,734,998
<i>Total Capital Assets, nondepreciated</i>	<u>2,907,555</u>	<u>16,021,214</u>	<u>0</u>	<u>18,928,769</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	315,600	0	0	315,600
Building and Improvements	5,207,272	0	0	5,207,272
Furniture and Equipment	2,500,698	38,398	0	2,539,096
Vehicles	1,075,533	114,768	77,352	1,112,949
<i>Total Capital Assets, being depreciated</i>	<u>9,099,103</u>	<u>153,166</u>	<u>77,352</u>	<u>9,174,917</u>
Less Accumulated Depreciation				
Land Improvements	(121,467)	(13,867)	0	(135,334)
Building and Improvements	(2,487,433)	(133,473)	0	(2,620,906)
Furniture and Equipment	(1,909,826)	(157,785)	0	(2,067,611)
Vehicles	(697,636)	(71,517)	77,352	(691,801)
<i>Total Accumulated Depreciation</i>	<u>(5,216,362)</u>	<u>(376,642) *</u>	<u>77,352</u>	<u>(5,515,652)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>3,882,741</u>	<u>(223,476)</u>	<u>0</u>	<u>3,659,265</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$6,790,296</u>	<u>\$15,797,738</u>	<u>\$0</u>	<u>\$22,588,034</u>

**Independence Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$191,195
Special	1,687
Support Services:	
Pupils	420
Instructional Staff	43,818
Administration	6,616
Fiscal	1,195
Operation and Maintenance of Plant	24,146
Pupil Transportation	70,375
Operation of Non Instruction Services	10,866
Operation of Food Services	8,389
Extracurricular Activities	17,935
Total Depreciation Expense	<u>\$376,642</u>

**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 2004, the School District contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Indiana Insurance Company	Property (\$2,500 deductible)	\$26,024,953
	Inland Marine (\$250 deductible)	1,695,188
	Crime (\$250 deductible)	30,000
	General Liability:	
	in aggregate	5,000,000
	per occurrence (\$1,000 deductible)	1,000,000
	wrongful acts limit (\$1,000 deductible)	1,000,000
	Fleet Insurance, single limit (\$1,000 deductible)	2,000,000
Travelers Property Casualty	Boiler (\$1,000 deductible)	30,000,000
Ohio Casualty	Blanket Employee Dishonesty (\$1,000 deductible)	255,000

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.

## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### ***B. Workers' Compensation***

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

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school 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, 2004*

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### **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.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, 2004, 2003, and 2002 were \$161,549, \$138,285, and \$85,065, respectively; which represents 100 percent for these years.

#### ***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.

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 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.



## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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, 2004, 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, 2004, 2003, and 2002 were \$799,511, \$617,500, and \$494,997 respectively; which represents 100 percent for these years. Contributions to the DC and Combined Plans for fiscal year 2004 were \$7,655 made by the School District and \$9,093 made by the plan members.

### ***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, 2004, 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.

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, 2004, 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 \$61,501 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 million. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

**Independence Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as \$27,000. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$113,992.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**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 bonds 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

A schedule of changes in bonds and other long-term obligations of the School District during 2004 follows:

	<u>Amounts Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Outstanding 06/30/04</u>	<u>Amounts Due in One Year</u>
<i>General Obligation Bonds:</i>					
<i>School Improvement</i>					
Current Interest Serial Bonds	\$6,955,000	\$0	\$170,000	\$6,785,000	\$490,000
Current Interest Terms Bonds	10,905,000	0	0	10,905,000	0
Capital Appreciation Bonds	140,000	0	0	140,000	0
Issuance Premiums	228,850	0	(8,797)	220,053	0
Accretion on Capital Appreciation Bonds	<u>6,334</u>	<u>7,823</u>	<u>0</u>	<u>14,157</u>	<u>0</u>
<i>Total General Obligation Bonds</i>	18,235,184	7,823	161,203	18,064,210	490,000
Compensated Absences Payable	<u>1,507,129</u>	<u>357,912</u>	<u>(188,054)</u>	<u>1,676,987</u>	<u>311,761</u>
<i>Total Governmental Long-Term Obligations</i>	<u>\$19,742,313</u>	<u>\$365,735</u>	<u>(\$26,851)</u>	<u>\$19,741,197</u>	<u>\$801,761</u>

**Independence Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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Compensated absences will be paid from the general fund and the auxiliary services and food services special revenue funds. General Obligation debt will be paid from the Debt Service Bond Retirement Fund.

*School Improvement General Obligation Bonds* – On January 15, 2003, Independence Local 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 \$17,860,000 and \$140,000, respectively. The bonds were issued at a premium of \$233,248. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

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

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

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:

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

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

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

The capital appreciation bonds will mature on December 1, 2011. The maturity amount of the bonds is \$485,000. In fiscal year 2003, \$6,334 was accreted.

The School District's overall legal debt margin was \$31,296,523 and the unvoted legal debt margin was \$538,652 at June 30, 2003. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2003, are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$0	\$0	\$490,000	\$751,415	\$0	\$0
2006	0	0	620,000	737,865	0	0
2007	0	0	670,000	724,630	0	0
2008	0	0	430,000	712,220	0	0
2009-2013	0	0	1,845,000	3,373,020	140,000	345,014
2014-2018	0	0	2,730,000	2,950,740	0	0
2019-2023	2,660,000	2,228,220	0	0	0	0
2024-2027	4,155,000	1,281,313	0	0	0	0
2029-2031	4,090,000	228,237	0	0	0	0
<b>Total</b>	<u>\$10,905,000</u>	<u>\$3,737,770</u>	<u>\$6,785,000</u>	<u>\$9,249,890</u>	<u>\$140,000</u>	<u>\$345,014</u>

## Independence Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **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 \$15,417 to LNOCA during fiscal year 2004. Financial information can be obtained by contacting LNOCA, 5700 West Canal Road, Valley View, Ohio 44125.

***Cuyahoga Valley Career Center*** The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District did not make a contribution to Cuyahoga Valley Career Center during fiscal year 2004. 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 limited to its representation on the Board. In fiscal year 2004, the School District paid \$900 to the Council. 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.

## **Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

### **Note 17 – Public Entity Risk Pools**

#### ***A. Risk Sharing Pool***

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

#### ***B. Insurance Purchasing Pool***

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), and 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.

### **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, 2004.

#### ***B. Litigation***

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

**Independence Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**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, capital acquisition, and budget stabilization. Disclosure of this information is required by the State statute.

	Textbook Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside Reserve Balance as of June 30,2003	(\$953,425)	\$0	\$0
Current Year Set-aside Requirement	159,090	159,090	0
Qualifying Disbursements	(339,623)	(16,127,036)	0
Total	<u>(\$1,133,958)</u>	<u>(\$15,967,946)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,133,958)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition 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...”

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.

## Independence Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### Note 21 – Contractual Commitments

At of June 30, 2004, the Independence Local School District had the following contractual commitments:

Contractor	Contract Amount	Amount Paid as of June 30, 2004	Amount Remaining on Contract
Sear-Brown Architects	\$2,136,000	\$2,052,903	\$183,117
Turner Construction	1,677,975	1,355,849	322,126
Northern Valley Contractors, Inc	2,363,970	2,028,738	353,994
Rittman, Inc. dba Mull Iron	2,141,625	1,949,694	191,931
C.T. Taylor	835,873	822,139	12,938
Blaze Building Corporation	7,357,303	4,136,652	3,220,651
West Third Street Construction	3,847,366	2,370,104	1,477,262
Tiffin Scenic Studios	502,583	0	502,583
Waller-Duman, Inc.	803,238	199,342	603,896
Northern Ohio Plumbing, Inc.	1,620,186	581,963	1,038,223
M.W. Mielke, Inc.	2,630,274	1,111,706	1,518,568
Doan/Pyramid LLC	3,354,763	1,222,762	2,132,001
Johnson Controls, Inc.	580,953	292,466	287,487
Giambrone Construction	442,137	227,830	214,307
Allied Equipment Company	34,325	32,457	1,868
Trane	7,875	7,500	375
Frank I. Rounds	246,195	233,320	12,875
Trane a division of American Std	382,000	362,900	19,100
Pier Associates	60,084	57,264	2,820
McGranahan Associates	44,981	42,781	2,200
G.E. Industrial Systems	176,590	156,993	19,597
Ohio Cat	22,400	21,280	1,120
Greenheck	24,950	23,700	1,250
Carrier Corporation	17,786	17,000	786
Vincent Lighting Systems	113,852	85,988	27,864
Total	<u>\$31,425,284</u>	<u>\$18,170,569</u>	<u>\$13,254,715</u>

### Note 23 – Subsequent Events

On October 1, 2002, the School District agreed to sell the Middle School located at 6565 Brecksville Road, Independence to the City of Independence for \$2,000,000.

The School District received payment from the City in December 2004. The transfer was completed in January 2005.



**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 expendable trusts, or for 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:

***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.

***Athletics/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.

***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.

***Eisenhower Math and Science Fund*** - This fund accounts for State monies used to improve the skills of teachers and the quality of instruction in mathematics, science, and computer learning.

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

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

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

(continued)

***Combining Statements-Nonmajor Funds (continued)***

***Nonmajor Special Revenue Fund***

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

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

***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

***Nonmajor Capital Projects Fund***

Capital projects funds account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary funds.

***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.

***Interactive Video Distance Learning Fund*** – This fund accounts for State monies used to finance the interactive video distance learning project.

***Agency Funds***

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

***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 Balance Sheet*

*Nonmajor Governmental Funds*

*June 30, 2004*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,872	\$9	\$9,891
Intergovernmental Receivable	2,447	0	2,447
Inventory Held for Resale	4,534	0	4,534
Materials and Supplies Inventory	153	0	153
<i>Total Assets</i>	<u>\$7,006</u>	<u>\$9</u>	<u>\$7,025</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$0,673	\$0	\$0,673
Accrued Wages and Benefits	19,667	0	19,667
Interfund Payable	9,000	0	9,000
Intergovernmental Payable	9,615	0	9,615
Deferred Revenue	2,447	0	2,447
<i>Total Liabilities</i>	<u>51,402</u>	<u>0</u>	<u>51,402</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	9,391	0	9,391
Unreserved, Undesignated (Deficit), Reported in:			
Special Revenue Funds	16,213	0	16,213
Capital Projects Funds	0	19	19
<i>Total Fund Balances (Deficit)</i>	<u>25,604</u>	<u>19</u>	<u>25,623</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,006</u>	<u>\$9</u>	<u>\$7,025</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, 2004*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$23,207	0	\$23,207
Interest	277	0	277
Extracurricular Activities	57,659	0	57,659
Contributions and Donations	0	0	0
Charges for Services	222,336	0	222,336
Miscellaneous	8,339	0	8,339
<i>Total Revenues</i>	<u>611,818</u>	<u>0</u>	<u>611,818</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	29,115	0	29,115
Special	32,358	0	32,358
Support Services:			
Pupils	4,786	0	4,786
Instructional Staff	3,873	0	3,873
Business	23,161	0	23,161
Central	5,000	0	5,000
Operation of Non-Instructional Services	184,372	0	184,372
Operation of Food Service	312,978	0	312,978
Extracurricular Activities	61,697	0	61,697
Capital Outlay	0	1,425	1,425
<i>Total Expenditures</i>	<u>657,340</u>	<u>1,425</u>	<u>658,765</u>
<i>Excess of Revenues Under Expenditures</i>	(45,522)	(1,425)	(46,947)
<b>Other Financing Sources</b>			
Transfers In	81,309	0	81,309
<i>Net Change in Fund Balances</i>	35,787	(1,425)	34,362
<i>Fund Balances Beginning of Year</i>	<u>(10,183)</u>	<u>1,444</u>	<u>(8,739)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$5,604</u></u>	<u><u>\$9</u></u>	<u><u>\$5,623</u></u>

**Independence Local School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2004*

	Public School Support	Other Grants	Athletics/ District Managed	Auxiliary Services
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	15,843	10,726	2,503	361
Intergovernmental Receivable	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
<i>Total Assets</i>	<u>15,843</u>	<u>10,726</u>	<u>2,503</u>	<u>361</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	0	553	3,003
Accrued Wages and Benefits	0	0	0	5,835
Interfund Payable	0	0	8,000	0
Intergovernmental Payable	0	0	0	1,731
Deferred Revenue	0	0	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>8,553</u>	<u>10,569</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	92	0	7,060	0
Unreserved, Undesignated (Deficit)	15,751	10,726	(13,110)	(10,208)
<i>Total Fund Balances (Deficit)</i>	<u>15,843</u>	<u>10,726</u>	<u>(6,050)</u>	<u>(10,208)</u>
<i>Total Liabilities and Fund Balances</i>	<u>15,843</u>	<u>10,726</u>	<u>2,503</u>	<u>361</u>

<u>Educational Management Information Systems</u>	<u>Data Communications</u>	<u>SchoolNet Professional Development</u>	<u>Student Intervention</u>	<u>Safe School Helpline</u>	<u>Eisenhower Math and Science</u>
0	11,327	5,022	14,599	3,300	307
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>11,327</u>	<u>5,022</u>	<u>14,599</u>	<u>3,300</u>	<u>307</u>
0	0	0	3,581	0	0
0	0	0	0	0	0
0	0	0	0	0	0
18	0	0	0	0	0
0	0	0	0	0	0
<u>18</u>	<u>0</u>	<u>0</u>	<u>3,581</u>	<u>0</u>	<u>0</u>
0	0	0	2,239	0	0
(18)	11,327	5,022	8,779	3,300	307
<u>(18)</u>	<u>11,327</u>	<u>5,022</u>	<u>11,018</u>	<u>3,300</u>	<u>307</u>
<u>0</u>	<u>11,327</u>	<u>5,022</u>	<u>14,599</u>	<u>3,300</u>	<u>307</u>

(continued)

**Independence Local School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*June 30, 2004*

	Title I	Title V	Drug Free Schools	Title II-A
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	49	0	313	5,409
Intergovernmental Receivable	0	0	1,536	911
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
<i>Total Assets</i>	<u>49</u>	<u>0</u>	<u>1,849</u>	<u>6,320</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	0	0	0
Accrued Wages and Benefits	0	2,417	0	1,918
Interfund Payable	0	200	0	0
Intergovernmental Payable	0	498	0	428
Deferred Revenue	0	0	1,536	911
<i>Total Liabilities</i>	<u>0</u>	<u>3,115</u>	<u>1,536</u>	<u>3,257</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	0	0	0	0
Unreserved, Undesignated (Deficit)	49	(3,115)	313	3,063
<i>Total Fund Balances (Deficit)</i>	<u>49</u>	<u>(3,115)</u>	<u>313</u>	<u>3,063</u>
<i>Total Liabilities and Fund Balances</i>	<u>49</u>	<u>0</u>	<u>1,849</u>	<u>6,320</u>



<u>Technology Literacy Challenge</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Nonmajor Special Revenue Funds</u>
(129)	209	33	69,872
0	0	0	2,447
0	4,534	0	4,534
0	153	0	153
<u>(129)</u>	<u>4,896</u>	<u>33</u>	<u>77,006</u>
0	3,536	0	10,673
0	9,497	0	19,667
0	0	800	9,000
0	6,940	0	9,615
0	0	0	2,447
<u>0</u>	<u>19,973</u>	<u>800</u>	<u>51,402</u>
0	0	0	9,391
<u>(129)</u>	<u>(15,077)</u>	<u>(767)</u>	<u>16,213</u>
<u>(129)</u>	<u>(15,077)</u>	<u>(767)</u>	<u>25,604</u>
<u>(129)</u>	<u>4,896</u>	<u>33</u>	<u>77,006</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, 2004*

	Public School Support	Other Grants	Athletics/ District Managed	Auxiliary Services
<b>Revenues</b>				
Intergovernmental	\$0	\$0	\$0	\$200,981
Interest	0	0	11	266
Extracurricular Activities	22,159	0	35,500	0
Contributions and Donations	0	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	531	5,601	0
<i>Total Revenues</i>	<u>22,159</u>	<u>531</u>	<u>41,112</u>	<u>201,247</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	0	472	0	0
Special	0	0	0	0
Support Services:				
Pupils	0	0	0	0
Instructional Staff	0	69	0	0
Business	23,161	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	181,991
Operation of Food Services	0	0	0	0
Extracurricular Activities	0	0	61,697	0
<i>Total Expenditures</i>	<u>23,161</u>	<u>541</u>	<u>61,697</u>	<u>181,991</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,002)	(10)	(20,585)	19,256
<b>Other Financing Sources</b>				
Transfers In	0	0	20,000	0
<i>Net Change in Fund Balances</i>	(1,002)	(10)	(585)	19,256
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>16,845</u>	<u>10,736</u>	<u>(5,465)</u>	<u>(29,464)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$15,843</u></u>	<u><u>\$10,726</u></u>	<u><u>(\$6,050)</u></u>	<u><u>(\$10,208)</u></u>

Educational Management Information Systems	Data Communications	SchoolNet Professional Development	Student Intervention	Safe School Helpline
\$5,000	\$9,000	\$2,925	\$15,389	\$4,661
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>5,000</u>	<u>9,000</u>	<u>2,925</u>	<u>15,389</u>	<u>4,661</u>
0	0	0	4,371	0
0	0	0	0	0
0	0	0	0	1,361
0	0	3,804	0	0
0	0	0	0	0
5,000	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>5,000</u>	<u>0</u>	<u>3,804</u>	<u>4,371</u>	<u>1,361</u>
0	9,000	(879)	11,018	3,300
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	9,000	(879)	11,018	3,300
<u>(18)</u>	<u>2,327</u>	<u>5,901</u>	<u>0</u>	<u>0</u>
<u>(\$18)</u>	<u>\$11,327</u>	<u>\$5,022</u>	<u>\$11,018</u>	<u>\$3,300</u>

(continued)

**Independence Local School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds (continued)*  
*For the Fiscal Year Ended June 30, 2004*

	Eisenhower Math and Science	Title I	Title V	Drug Free Schools
<b>Revenues</b>				
Intergovernmental	\$0	\$0	\$8,078	\$4,117
Interest	0	0	0	0
Extracurricular Activities	0	0	0	0
Contributions and Donations	0	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>8,078</u>	<u>4,117</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,092	0	0	1,181
Special	0	0	18,233	0
Support Services:				
Pupils	0	0	0	3,425
Instructional Staff	0	0	0	0
Business	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	2,381	0
Operation of Food Services	0	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>2,092</u>	<u>0</u>	<u>20,614</u>	<u>4,606</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,092)	0	(12,536)	(489)
<b>Other Financing Sources</b>				
Transfers In	0	0	10,809	0
<i>Net Change in Fund Balances</i>	(2,092)	0	(1,727)	(489)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,399</u>	<u>49</u>	<u>(1,388)</u>	<u>802</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$307</u></u>	<u><u>\$49</u></u>	<u><u>(\$3,115)</u></u>	<u><u>\$313</u></u>

Title II-A	Technology Literacy Challenge	Food Service	Uniform School Supplies	Total Nonmajor Special Revenue Funds
\$18,429	\$0	\$54,627	\$0	\$323,207
0	0	0	0	277
0	0	0	0	57,659
0	0	0	0	0
0	0	208,028	14,308	222,336
0	0	2,207	0	8,339
<u>18,429</u>	<u>0</u>	<u>264,862</u>	<u>14,308</u>	<u>611,818</u>
3,904	184	0	16,911	29,115
14,125	0	0	0	32,358
0	0	0	0	4,786
0	0	0	0	3,873
0	0	0	0	23,161
0	0	0	0	5,000
0	0	0	0	184,372
0	0	312,978	0	312,978
0	0	0	0	61,697
<u>18,029</u>	<u>184</u>	<u>312,978</u>	<u>16,911</u>	<u>657,340</u>
400	(184)	(48,116)	(2,603)	(45,522)
0	0	50,500	0	81,309
400	(184)	2,384	(2,603)	35,787
<u>2,663</u>	<u>55</u>	<u>(17,461)</u>	<u>1,836</u>	<u>(10,183)</u>
<u>\$3,063</u>	<u>(\$129)</u>	<u>(\$15,077)</u>	<u>(\$767)</u>	<u>\$25,604</u>

**Independence Local School District**  
*Combining Balance Sheet*  
*Nonmajor Capital Projects Funds*  
*June 30, 2004*

	SchoolNet Plus	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$19	\$0	\$19
<b>Fund Balances</b>			
Unreserved, Undesignated	\$19	\$0	\$19

**Independence Local School District**

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*

*Nonmajor Capital Projects Funds*

*For the Fiscal Year Ended June 30, 2004*

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	<u>SchoolNet Plus</u>	<u>Interactive Video Distance Learning</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues</b>			
Intergovernmental	\$0	\$0	\$0
<b>Expenditures</b>			
Capital Outlay	<u>69</u>	<u>1,356</u>	<u>1,425</u>
<i>Net Change in Fund Balances</i>	(69)	(1,356)	(1,425)
<i>Fund Balances Beginning of Year</i>	<u>88</u>	<u>1,356</u>	<u>1,444</u>
<i>Fund Balances End of Year</i>	<u><u>\$19</u></u>	<u><u>\$0</u></u>	<u><u>\$19</u></u>

**Independence Local School District**  
*Combining Statement of Changes in Assets and Liabilities*  
*Agency Funds*  
*For the Fiscal Year Ended June 30, 2004*

	Balance 06/30/03	Additions	Deductions	Balance 06/30/04
<b>District Agency</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$43	\$17,909	\$17,952	\$0
<b>Liabilities</b>				
Undistributed Monies	\$43	\$17,909	\$17,952	\$0
<b>Student Managed Activities</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$96,064	\$251,017	\$245,438	\$101,643
<b>Liabilities</b>				
Due to Students	\$96,064	\$251,017	\$245,438	\$101,643
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$96,107	\$268,926	\$263,390	\$101,643
<b>Liabilities</b>				
Undistributed Monies	\$43	\$17,909	\$17,952	\$0
Due to Students	96,064	251,017	245,438	101,643
<i>Total Liabilities</i>	\$96,107	\$268,926	\$263,390	\$101,643



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

**Independence Local School District**  
*Schedule Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$9,353,269	\$9,676,612	\$9,766,992	\$90,380
Intergovernmental	1,700,450	1,785,450	1,785,525	75
Interest	350,000	200,000	202,243	2,243
Tuition and Fees	50,000	40,000	43,024	3,024
Rentals	10,000	5,000	6,300	1,300
Miscellaneous	15,000	15,000	10,190	(4,810)
<i>Total Revenues</i>	11,478,719	11,722,062	11,814,274	92,212
<b>Expenditures</b>				
Current:				
Instruction:				
Regular:				
Salaries and Wages	4,396,200	4,478,200	4,542,932	(64,732)
Fringe Benefits	1,404,300	1,524,300	1,516,621	7,679
Purchased Services	48,369	48,369	34,931	13,438
Materials and Supplies	198,967	198,967	150,416	48,551
Capital Outlay - New	250	250	3,359	(3,109)
Other	1,500	1,500	1,085	415
Total Regular	6,049,586	6,251,586	6,249,344	2,242
Special:				
Salaries and Wages	75,000	75,000	75,114	(114)
Fringe Benefits	16,735	16,735	15,307	1,428
Purchased Services	544,603	618,603	584,246	34,357
Materials and Supplies	12,234	10,234	6,444	3,790
Capital Outlay - New	1,000	1,000	229	771
Total Special	649,572	721,572	681,340	40,232
Total Instruction	\$6,699,158	\$6,973,158	\$6,930,684	\$42,474

(continued)

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Support Services:				
Pupils:				
Salaries and Wages	\$407,900	\$399,400	\$402,152	(\$2,752)
Fringe Benefits	113,500	112,300	109,798	2,502
Purchased Services	144,555	89,455	76,460	12,995
Materials and Supplies	14,230	13,430	11,356	2,074
<b>Total Pupils</b>	<b>680,185</b>	<b>614,585</b>	<b>599,766</b>	<b>14,819</b>
Instructional Staff:				
Salaries and Wages	576,100	576,100	600,011	(23,911)
Fringe Benefits	223,690	228,690	231,437	(2,747)
Purchased Services	161,936	206,936	196,110	10,826
Materials and Supplies	32,840	32,840	17,053	15,787
Capital Outlay - New	300	600	0	600
Other	600	600	169	431
<b>Total Instructional Staff</b>	<b>995,466</b>	<b>1,045,766</b>	<b>1,044,780</b>	<b>986</b>
Board of Education:				
Salaries and Wages	11,000	11,000	8,660	2,340
Fringe Benefits	5,700	3,700	1,338	2,362
Purchased Services	91,500	48,500	52,866	(4,366)
Materials and Supplies	5,633	5,633	3,088	2,545
Other	34,700	34,700	35,236	(536)
<b>Total Board of Education</b>	<b>148,533</b>	<b>103,533</b>	<b>101,188</b>	<b>2,345</b>
Administration:				
Salaries and Wages	619,500	614,500	623,797	(9,297)
Fringe Benefits	248,540	245,540	242,807	2,733
Purchased Services	35,537	9,337	4,633	4,704
Materials and Supplies	11,175	11,175	8,035	3,140
Capital Outlay - New	0	0	0	0
Capital Outlay - Replacement	0	0	0	0
Other	11,040	11,040	10,972	68
<b>Total Administration</b>	<b>\$925,792</b>	<b>\$891,592</b>	<b>\$890,244</b>	<b>\$1,348</b>

(continued)

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Fiscal:				
Salaries and Wages	\$186,600	\$186,600	\$188,767	(\$2,167)
Fringe Benefits	70,700	70,700	70,459	241
Purchased Services	8,500	4,500	3,832	668
Materials and Supplies	3,500	2,500	1,819	681
Other	195,500	191,500	189,846	1,654
<b>Total Fiscal</b>	<b>464,800</b>	<b>455,800</b>	<b>454,723</b>	<b>1,077</b>
Business:				
Purchased Services	139,260	142,760	135,237	7,523
Materials and Supplies	16,310	16,310	13,379	2,931
<b>Total Business</b>	<b>155,570</b>	<b>159,070</b>	<b>148,616</b>	<b>10,454</b>
Operation and Maintenance of Plant:				
Salaries and Wages	484,400	475,400	471,061	4,339
Fringe Benefits	155,150	155,150	163,678	(8,528)
Purchased Services	515,211	515,211	495,485	19,726
Materials and Supplies	80,636	68,636	58,001	10,635
Capital Outlay - New	0	0	82	(82)
<b>Total Operation and Maintenance of Plant</b>	<b>1,235,397</b>	<b>1,214,397</b>	<b>1,188,307</b>	<b>26,090</b>
Pupil Transportation:				
Salaries and Wages	406,600	396,600	395,948	652
Fringe Benefits	103,500	103,500	101,036	2,464
Purchased Services	87,455	72,155	67,785	4,370
Materials and Supplies	79,540	77,540	71,959	5,581
Capital Outlay - Replacement	15,000	0	0	0
Other	0	0	20	(20)
<b>Total Pupil Transportation</b>	<b>692,095</b>	<b>649,795</b>	<b>636,748</b>	<b>13,047</b>
<b>Total Support Services</b>	<b>\$5,297,838</b>	<b>\$5,134,538</b>	<b>\$5,064,372</b>	<b>\$70,166</b>

(continued)

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Extracurricular Activities:				
Academic Oriented Activities:				
Salaries and Wages	\$79,700	\$74,700	\$72,924	\$1,776
Fringe Benefits	8,700	8,700	7,690	1,010
Material and Supplies	0	0	0	0
Other	3,000	3,000	3,326	(326)
Total Academic Oriented Activities	<u>91,400</u>	<u>86,400</u>	<u>83,940</u>	<u>2,460</u>
Sports Oriented Activities:				
Salaries and Wages	269,000	256,600	260,887	(4,287)
Fringe Benefits	41,400	41,400	36,671	4,729
Purchased Services	12,000	12,000	11,130	870
Materials and Supplies	0	0	150	(150)
Total Sport Oriented Activities	<u>322,400</u>	<u>310,000</u>	<u>308,838</u>	<u>1,162</u>
Total Extracurricular Activities	<u>413,800</u>	<u>396,400</u>	<u>392,778</u>	<u>3,622</u>
Capital Outlay:				
Building Improvement:				
Capital Outlay - New	23,764	26,964	26,882	82
Total Capital Outlay	<u>23,764</u>	<u>26,964</u>	<u>26,882</u>	<u>82</u>
<i>Total Expenditures</i>	<u>12,434,560</u>	<u>12,531,060</u>	<u>12,414,716</u>	<u>116,344</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(955,841)</u>	<u>(808,998)</u>	<u>(600,442)</u>	<u>208,556</u>
<b>Other Financing Uses</b>				
Advances Out	0	0	(800)	(800)
Transfers Out	(80,000)	(85,000)	(81,309)	3,691
Total Other Financing Uses	<u>(80,000)</u>	<u>(85,000)</u>	<u>(82,109)</u>	<u>2,891</u>
<i>Net Change in Fund Balance</i>	<u>(1,035,841)</u>	<u>(893,998)</u>	<u>(682,551)</u>	<u>211,447</u>
<i>Fund Balance Beginning of Year</i>	521,781	521,781	521,781	0
Prior Year Encumbrances Appropriated	<u>62,980</u>	<u>62,980</u>	<u>62,980</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$451,080)</u></u>	<u><u>(\$309,237)</u></u>	<u><u>(\$97,790)</u></u>	<u><u>\$211,447</u></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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$1,080,281	\$1,041,998	\$1,052,759	\$10,761
Intergovernmental	116,611	116,611	116,107	(504)
<i>Total Revenues</i>	1,196,892	1,158,609	1,168,866	10,257
<b>Expenditures</b>				
Current:				
Support Services:				
Fiscal Services:				
Purchased Services	0	1,000	961	39
Debt Service:				
Principal Retirement	170,000	170,000	170,000	0
Interest and Fiscal Charges	760,464	760,464	760,465	(1)
Bond Issuance Costs	0	5,000	3,362	1,638
Total Debt Service	930,464	935,464	933,827	1,637
<i>Total Expenditures</i>	930,464	936,464	934,788	1,676
<i>Excess of Revenues</i>				
<i>Excess of Revenues Over Expenditures</i>	266,428	222,145	234,078	11,933
<b>Other Financing Sources(Uses)</b>				
Refund of Prior Year Receipts	0	(2,390)	(2,386)	4
<i>Net Change in Fund Balance</i>	266,428	219,755	231,692	11,937
<i>Fund Balance Beginning of Year</i>	301,761	301,761	301,761	0
<i>Fund Balance End of Year</i>	\$568,189	\$521,516	\$533,453	\$11,937

**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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$13,000,000	\$13,000,000	\$6,811,515	(\$6,188,485)
Miscellaneous	0	0	19,675	\$19,675
<b>Total Revenues</b>	<b>13,000,000</b>	<b>13,000,000</b>	<b>6,831,190</b>	<b>(6,168,810)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular:				
Capital Outlay - New	0	500,000	23,005	476,995
Support Services:				
Operation & Maintenance:				
Capital Outlay - New	0	12,300	12,223	77
Capital Outlay:				
Architect/Engineering:				
Purchased Services	2,159,700	2,159,700	1,622,341	537,359
Building Improvement:				
Capital Outlay - New	27,707,035	27,194,735	27,342,002	(147,267)
<b>Total Capital Outlay</b>	<b>29,866,735</b>	<b>29,354,435</b>	<b>28,964,343</b>	<b>390,092</b>
<b>Total Expenditures</b>	<b>29,866,735</b>	<b>29,866,735</b>	<b>28,999,571</b>	<b>867,164</b>
<i>Excess of Revenues Under Expenditures</i>	<u>(16,866,735)</u>	<u>(16,866,735)</u>	<u>(22,168,381)</u>	<u>(5,301,646)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	2,000,000	2,000,000	0	(2,000,000)
<b>Net Change in Fund Balance</b>	<b>(14,866,735)</b>	<b>(14,866,735)</b>	<b>(22,168,381)</b>	<b>(7,301,646)</b>
<i>Fund Balance Beginning of Year</i>	11,621,339	11,621,339	11,621,339	0
Prior Year Encumbrances Appropriated	3,193,735	3,193,735	3,193,735	0
<b>Fund Balance End of Year</b>	<u><b>(\$51,661)</b></u>	<u><b>(\$51,661)</b></u>	<u><b>(\$7,353,307)</b></u>	<u><b>(\$7,301,646)</b></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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Property and Other Local Taxes	\$344,449	\$344,800	\$349,282	\$4,482
Intergovernmental	52,000	93,122	81,826	(11,296)
Interest	2,000	1,000	484	(516)
<b>Total Revenues</b>	<u>398,449</u>	<u>438,922</u>	<u>431,592</u>	<u>(7,330)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Materials and Supplies	75,000	75,000	69,273	5,727
Capital Outlay - New	90,000	90,000	91,994	(1,994)
Total Instruction	<u>165,000</u>	<u>165,000</u>	<u>161,267</u>	<u>3,733</u>
Support Services:				
Instructional Staff:				
Capital Outlay - New	0	14,850	14,831	19
Support Services:				
Administration:				
Capital Outlay - New	600	600	574	26
Fiscal Services:				
Purchased Services	0	300	278	22
Operation and Maintenance:				
Purchased Services	87,213	87,213	71,312	15,901
Capital Outlay - New	25,895	25,895	14,148	11,747
Capital Outlay - Replacement	6,000	6,000	8,618	(2,618)
Total Operation and Maintenance	<u>119,108</u>	<u>119,108</u>	<u>94,078</u>	<u>25,030</u>
Public Transportation:				
Capital Outlay - Replacement	116,000	116,000	114,768	1,232
Total Support Services	<u>\$235,708</u>	<u>\$250,858</u>	<u>\$224,529</u>	<u>\$26,329</u>

(continued)



**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Permanent Improvement Fund (continued)*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<i>Total Expenditures</i>	400,708	415,858	385,796	30,062
<i>Excess of Revenues Under Expenditures</i>	(2,259)	23,064	45,796	22,732
<b>Other Financing Sources(Uses)</b>				
Advances Out	52,000	52,000	0	(52,000)
<i>Net Change in Fund Balance</i>	49,741	75,064	45,796	(29,268)
<i>Fund Balance Beginning of Year</i>	(8,837)	(8,837)	(8,837)	0
Prior Year Encumbrances Appropriated	32,108	32,108	32,108	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$73,012</u>	<u>\$98,335</u>	<u>\$69,067</u>	<u>(\$29,268)</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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Extracurricular Activities	\$20,000	\$20,000	\$22,159	\$2,159
<b>Expenditures</b>				
Current:				
Support Services:				
Business:				
Other	36,983	36,983	23,693	13,290
<i>Net Change in Fund Balance</i>	(16,983)	(16,983)	(1,534)	15,449
<i>Fund Balance Beginning of Year</i>	15,302	15,302	15,302	0
Prior Year Encumbrances Appropriated	1,983	1,983	1,983	0
<i>Fund Balance End of Year</i>	<u>\$302</u>	<u>\$302</u>	<u>\$15,751</u>	<u>\$15,449</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, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Miscellaneous	1,000	1,000	531	(469)
<i>Total Revenues</i>	1,000	1,000	531	(469)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular Instruction				
Other	0	150	150	0
Support Services:				
Instructional Staff:				
Purchased Services	50	131	69	62
<i>Total Expenditures</i>	50	281	219	62
<i>Excess of Revenues Over Expenditures</i>	950	719	312	(407)
<b>Other Financing Uses</b>				
Transfers Out	(322)	(322)	(322)	0
Excess of Revenues and Other Financing Sources Over (Under)				
<i>Net Change in Fund Balance</i>	628	397	(10)	(407)
<i>Fund Balance Beginning of Year</i>	10,686	10,686	10,686	0
Prior Year Encumbrances Appropriated	50	50	50	0
<i>Fund Balance End of Year</i>	\$11,364	\$11,133	\$10,726	(\$407)

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Athletics/District Managed Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Interest	\$300	\$300	\$11	(\$289)
Extracurricular Activities	36,000	36,000	36,053	53
Miscellaneous	0	0	5,601	5,601
<i>Total Revenues</i>	<u>36,300</u>	<u>36,300</u>	<u>41,665</u>	<u>5,365</u>
<b>Expenditures</b>				
Current:				
Extracurricular Activities:				
Sports Oriented Activities:				
Purchased Services	21,500	21,500	20,218	1,282
Materials and Supplies	39,306	39,306	44,628	(5,322)
Other	2,000	6,000	4,464	1,536
<i>Total Expenditures</i>	<u>62,806</u>	<u>66,806</u>	<u>69,310</u>	<u>(2,504)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(26,506)</u>	<u>(30,506)</u>	<u>(27,645)</u>	<u>2,861</u>
<b>Other Financing Sources</b>				
Advances In	0	0	0	0
Operating Transfers In	20,000	20,000	20,000	0
<i>Total Other Financing Sources</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(6,506)	(10,506)	(7,645)	2,861
<i>Fund Balance Beginning of Year</i>	729	729	729	0
Prior Year Encumbrances Appropriated	1,806	1,806	1,806	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$3,971)</u>	<u>(\$7,971)</u>	<u>(\$5,110)</u>	<u>\$2,861</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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$224,533	\$214,000	\$200,981	(\$13,019)
Interest	500	500	266	(234)
<i>Total Revenues</i>	<u>225,033</u>	<u>214,500</u>	<u>201,247</u>	<u>(13,253)</u>
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	38,000	38,000	39,168	(1,168)
Fringe Benefits	11,000	11,000	17,223	(6,223)
Purchased Services	99,000	98,122	92,439	5,683
Materials and Supplies	68,000	77,378	74,338	3,040
<i>Total Expenditures</i>	<u>216,000</u>	<u>224,500</u>	<u>223,168</u>	<u>1,332</u>
<i>Net Change in Fund Balance</i>	9,033	(10,000)	(21,921)	(11,921)
<i>Fund Balance Beginning of Year</i>	(8,815)	(8,815)	(8,815)	0
Prior Year Encumbrances Appropriated	16,501	16,501	16,501	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$16,719</u>	<u>(\$2,314)</u>	<u>(\$14,235)</u>	<u>(\$11,921)</u>

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Educational Management Information Systems Fund  
For the Fiscal Year Ended June 30, 2004*

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

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Data Communications Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$10,500	\$10,000	\$9,000	(\$1,000)
<b>Expenditures</b>				
Current:				
Support Services:				
Instructional Staff:				
Purchased Services	12,827	11,327	0	11,327
<i>Net Change in Fund Balance</i>	(2,327)	(1,327)	9,000	12,327
<i>Fund Balance Beginning of Year</i>	2,327	2,327	2,327	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,000</u>	<u>\$11,327</u>	<u>\$12,327</u>

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Student Intervention Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$15,389	\$15,389	\$15,389	\$0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular				
Salaries and Wages	6,528	6,528	0	6,528
Fringe Benefits	1,009	1,009	0	1,009
Purchased Services	1,152	1,152	0	1,152
Materials and Supplies	6,700	6,700	6,610	90
Total Regular Instruction	15,389	15,389	6,610	8,779
<i>Total Expenditures</i>	15,389	15,389	6,610	8,779
<i>Net Change in Fund Balance</i>	0	0	8,779	8,779
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$8,779	\$8,779



**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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>	\$1,000	\$4,700	\$4,661	(\$39)
<b>Expenditures</b>				
Current:				
Support Services:				
Pupils:				
Purchased Services	0	1,400	1,361	39
<i>Net Change in Fund Balance</i>	1,000	3,300	3,300	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$1,000</u>	<u>\$3,300</u>	<u>\$3,300</u>	<u>\$0</u>

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Eisenhower Math and Science Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
Current:				
Instruction:				
Regular:				
Purchased Services	2,399	2,399	2,092	307
<i>Net Change in Fund Balance</i>	(2,399)	(2,399)	(2,092)	307
<i>Fund Balance Beginning of Year</i>	2,399	2,399	2,399	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$307	\$307

**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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>	0	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	48	48	48	0
<i>Fund Balance End of Year</i>	<u>\$48</u>	<u>\$48</u>	<u>\$48</u>	<u>\$0</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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$8,700	\$8,083	\$9,561	\$1,478
<b>Expenditures</b>				
Current:				
Instruction:				
Special:				
Salaries and Wages	18,055	18,055	15,549	2,506
Fringe Benefits	2,790	2,790	2,521	269
Total Instruction	20,845	20,845	18,070	2,775
Operation of Non-Instructional Services:				
Community Services:				
Capital Outlay - New	0	2,381	2,381	0
<i>Total Expenditures</i>	20,845	23,226	20,451	2,775
<i>Excess of Revenues Under Expenditures</i>	(12,145)	(15,143)	(10,890)	4,253
<b>Other Financing Sources</b>				
Transfers In	0	12,417	10,809	(1,608)
<i>Net Change in Fund Balance</i>	(12,145)	(2,726)	(81)	2,645
<i>Fund Balance Beginning of Year</i>	81	81	81	0
<i>Fund Balance (Deficit) End of Year</i>	(\$12,064)	(\$2,645)	\$0	\$2,645

**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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$3,500	\$4,200	\$4,117	(\$83)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular Instruction				
Materials and Supplies	2,446	2,193	1,181	1,012
Support Services:				
Pupils:				
Purchased Services	3,383	3,510	3,425	85
Instructional Staff:				
Salaries and Wages	626	752	0	752
Total Support Services	4,009	4,262	3,425	752
<i>Total Expenditures</i>	6,455	6,455	4,606	1,849
<i>Net Change in Fund Balance</i>	(2,955)	(2,255)	(489)	1,766
<i>Fund Balance Beginning of Year</i>	(1,923)	(1,923)	(1,923)	0
Prior Year Encumbrances Appropriated	2,725	2,725	2,725	0
<i>Fund Balance (Deficit) End of Year</i>	(\$2,153)	(\$1,453)	\$313	\$1,766

**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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$15,000	\$22,500	\$20,303	(\$2,197)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular:				
Purchased Services	2,693	2,693	1,307	1,386
Materials and Supplies	2,693	2,693	2,597	96
Total Regular	5,386	5,386	3,904	1,482
Special:				
Salaries and Wages	13,761	13,761	11,843	1,918
Fringe Benefits	2,127	2,127	1,880	247
Total Special	15,888	15,888	13,723	2,165
<i>Total Expenditures</i>	21,274	21,274	17,627	3,647
<i>Net Change in Fund Balance</i>	(6,274)	1,226	2,676	1,450
<i>Fund Balance Beginning of Year</i>	1,583	1,583	1,583	0
Prior Year Encumbrances Appropriated	1,021	1,021	1,021	0
<i>Fund Balance (Deficit) End of Year</i>	(\$3,670)	\$3,830	\$5,280	\$1,450

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Technology Literacy Challenge Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$3,000	\$3,000	\$0	(\$3,000)
<b>Other Financing Sources(Uses)</b>				
Refund of Prior Year Receipts	(184)	(184)	(184)	0
<i>Net Change in Fund Balance</i>	2,816	2,816	(184)	(3,000)
<i>Fund Balance Beginning of Year</i>	<u>184</u>	<u>184</u>	<u>184</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$3,000</u></u>	<u><u>\$3,000</u></u>	<u><u>\$0</u></u>	<u><u>(\$3,000)</u></u>

**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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$24,000	\$23,500	\$31,400	\$7,900
Charges for Services	215,000	213,000	208,028	(4,972)
Miscellaneous	0	500	2,207	1,707
<b>Total Revenues</b>	239,000	237,000	241,635	4,635
<b>Expenditures</b>				
Current:				
Food Service Operations:				
Salaries and Wages	127,400	127,400	130,180	(2,780)
Fringe Benefits	29,000	29,000	31,939	(2,939)
Purchased Services	3,500	3,500	1,506	1,994
Materials and Supplies	137,625	137,625	128,806	8,819
<b>Total Expenditures</b>	297,525	297,525	292,431	5,094
<i>Excess of Revenues Under Expenditures</i>	(58,525)	(60,525)	(50,796)	9,729
<b>Other Financing Sources</b>				
Transfers In	60,000	60,000	50,500	(9,500)
<i>Net Change in Fund Balance</i>	1,475	(525)	(296)	229
<i>Fund Balance Beginning of Year</i>	282	282	282	0
Prior Year Encumbrances Appropriated	125	125	125	0
<i>Fund Balance (Deficit) End of Year</i>	\$1,882	(\$118)	\$111	\$229



**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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Tuition and Fees	\$13,000	\$17,000	\$14,308	(\$2,692)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular				
Materials and Supplies	10,000	17,000	16,911	89
<b>Total Expenditures</b>	<u>10,000</u>	<u>17,000</u>	<u>16,911</u>	<u>89</u>
<i>Excess of Revenues Under Expenditures</i>	<u>3,000</u>	<u>0</u>	<u>(2,603)</u>	<u>(2,603)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	800	800
<i>Net Change in Fund Balance</i>	3,000	0	(1,803)	(1,803)
<i>Fund Balance Beginning of Year</i>	<u>1,836</u>	<u>1,836</u>	<u>1,836</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,836</u></u>	<u><u>\$1,836</u></u>	<u><u>\$33</u></u>	<u><u>(\$1,803)</u></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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$5,000	\$0	\$0	\$0
<b>Expenditures</b>				
Current:				
Support Services:				
Instructional Staff:				
Purchased Services	19	19	0	19
Capital Outlay - New	69	69	69	0
<i>Total Expenditures</i>	88	88	69	19
<i>Net Change in Fund Balance</i>	4,912	(88)	(69)	19
<i>Fund Balance Beginning of Year</i>	88	88	88	0
<i>Fund Balance (Deficit) End of Year</i>	\$5,000	\$0	\$19	\$19

**Independence Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Interactive Video Distance Learning Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$1,200	\$1,200	\$0	(\$1,200)
<b>Expenditures</b>				
Current:				
Support Services:				
Instructional Staff:				
Purchased Services	156	1,356	1,356	0
<i>Total Expenditures</i>	<u>156</u>	<u>1,356</u>	<u>1,356</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,044	(156)	(1,356)	(1,200)
<i>Fund Balance Beginning of Year</i>	<u>1,356</u>	<u>1,356</u>	<u>1,356</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,400</u></u>	<u><u>\$1,200</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,200)</u></u>

**Independence Local School District**  
*Schedule of Revenues, Expenses and Changes*  
*in Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Scholarship Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Interest	\$200	\$200	\$80	\$120
<b>Expenses</b>				
Current:				
Instruction:				
Regular:				
Other	500	500	500	0
<i>Excess of Revenues Under Expenses</i>	(300)	(300)	(420)	(120)
<b>Other Financing Sources</b>				
Operating Transfers In	300	300	323	23
<i>Net Change in Fund Balance</i>	0	0	(97)	(97)
<i>Fund Equity Beginning of Year</i>	8,177	8,177	8,177	0
<i>Fund Equity End of Year</i>	<u>\$8,177</u>	<u>\$8,177</u>	<u>\$8,080</u>	<u>(\$97)</u>

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## **Statistical Section**

The following statistical tables reflect social and economic data, financial trends and fiscal capacity of the School District.

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

	2004	2003	2002
<b>Program Revenues</b>			
Charges for Services and Sales	\$332,162	\$315,224	\$307,495
Operating Grants and Contributions	325,526	363,277	342,327
Capital Grants and Contributions	0	38,772	15,096
<b>General Revenues</b>			
Taxes (1)	12,399,047	9,869,492	10,363,320
Intergovernmental	8,794,973	1,707,455	1,685,801
Interest	158,518	462,928	145,816
Miscellaneous	31,325	45,333	15,047
<b>Total</b>	<b>\$22,041,551</b>	<b>\$12,802,481</b>	<b>\$12,874,902</b>
<b>Expenses</b>			
Current:			
Instruction:			
Regular	\$7,580,254	\$7,675,858	\$6,284,176
Special	851,836	778,116	895,960
Support Services:			
Pupils	713,694	620,327	615,321
Instructional Staff	1,259,504	1,126,489	765,771
Board of Education	126,942	146,266	131,076
Administration	1,009,517	889,121	957,728
Fiscal	524,616	462,864	389,270
Business	199,691	178,572	85,168
Operation and Maintenance of Plant	1,421,639	1,334,835	1,029,538
Pupil Transportation	679,183	764,287	578,585
Central	5,734	4,993	6,125
Operation of Non-Instructional Services	205,301	275,967	191,545
Food Service Operations	325,792	322,359	288,615
Extracurricular Activities	474,723	525,501	456,313
Interest and Fiscal Charges	767,836	715,449	8,094
<b>Total</b>	<b>\$16,146,262</b>	<b>\$15,821,004</b>	<b>\$12,683,285</b>

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 (2)*

	2004	2003	2002	2001	2000
<b>Revenues</b>					
Property and Other Local Taxes	\$10,506,069	\$8,743,750	\$10,148,741	\$8,989,914	\$7,315,897
Intergovernmental	1,785,525	1,692,737	1,668,626	1,463,997	1,501,468
Interest	157,757	429,809	142,413	202,608	213,126
Tuition and Fees	43,024	27,349	33,612	10,349	4,540
Rentals	8,590	8,031	13,362	19,483	13,000
Miscellaneous	9,443	39,798	8,103	63,915	35,256
<i>Total</i>	<u>\$12,510,408</u>	<u>\$10,941,474</u>	<u>\$12,014,857</u>	<u>\$10,750,266</u>	<u>\$9,083,287</u>
<b>Expenditures</b>					
Current:					
Instruction					
Regular	\$6,235,485	\$6,108,954	\$5,856,193	\$5,956,018	\$5,529,404
Special	\$698,329	744,839	900,999	0	0
Support Services:					
Pupils	\$601,283	598,947	614,838	513,435	484,823
Instructional Staff	\$1,004,299	992,850	699,810	636,792	534,275
Board of Education	\$109,751	146,266	128,289	108,542	126,442
Administration	\$837,287	875,397	873,173	738,382	703,042
Fiscal	\$446,309	450,654	385,785	366,007	353,711
Business	\$149,487	157,442	143,652	141,525	151,652
Operation and					
Maintenance of Plant	\$1,144,248	1,186,546	1,046,395	1,084,988	870,150
Pupil Transportation	\$634,992	658,091	561,567	584,159	574,462
Extracurricular Activities	\$394,538	400,661	408,284	360,718	313,542
Capital Outlay	\$26,282	318,126	94,792	48,370	5,513
<i>Total</i>	<u>\$12,282,290</u>	<u>\$12,638,773</u>	<u>\$11,713,777</u>	<u>\$10,538,936</u>	<u>\$9,647,016</u>

Source: School District Financial Records

(1) Information is based on modified accrual.

(2) 1996 through 2004 reported on a Modified Accrual Basis; All others on Cash Basis.

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



1999	1998	1997	1996	1995
\$8,569,210	\$7,488,759	\$6,964,001	\$7,061,834	\$6,508,189
1,397,890	1,104,237	1,082,240	1,063,857	753,774
78,731	78,243	55,823	70,627	85,519
4,440	0	0	0	147
11,815	11,503	2,465	2,605	2,270
51,845	111,225	10,546	33,675	78,873
<u>\$10,113,931</u>	<u>\$8,793,967</u>	<u>\$8,115,075</u>	<u>\$8,232,598</u>	<u>\$7,428,772</u>
\$4,983,086	\$4,649,993	\$4,438,133	\$4,882,216	\$4,141,927
0	0	0	0	0
452,600	411,850	409,868	428,593	309,920
510,152	521,529	508,684	529,084	411,107
121,747	174,972	170,053	157,225	192,140
689,902	660,734	657,805	718,391	635,331
327,074	302,610	293,054	292,982	271,419
130,973	136,208	131,479	125,953	100,381
900,720	838,722	786,629	897,377	873,737
499,391	496,752	444,278	479,663	408,737
308,840	290,905	332,302	318,633	291,721
57,104	16,529	0	0	0
<u>\$8,981,589</u>	<u>\$8,500,804</u>	<u>\$8,172,285</u>	<u>\$8,830,117</u>	<u>\$7,636,420</u>

**Independence Local School District**

*Property Tax Levies and Collections  
Real and Tangible Personal Property (1)  
Last Ten Years*

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<u>Year (2)</u>	<u>Current Levy</u>	<u>Delinquent Levy</u>	<u>Total Levy</u>	<u>Current Collections</u>
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	10,732,608	593,173	11,325,781	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
1994	7,965,622	455,675	8,421,297	7,352,707
1993	7,406,745	413,453	7,820,198	6,915,367

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

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through State and reported as Intergovernmental Revenue.
- (2) Represents the collection year. The 2004 information cannot be presented because all collections have not been made by June 30.
- (3) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

Percent of Current Levy Collected	Delinquent Collection	Total Collections (3)	Total Collections as a Percent of Current Levy
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	104.00
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
92.31	124,674	7,477,381	93.87
93.37	103,048	7,018,415	94.73

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

Year	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2004	\$466,620,460	\$1,333,201,314	\$22,120,190	\$25,136,580
2003	435,234,900	1,243,528,286	21,770,270	24,738,943
2002	430,253,880	1,229,296,800	18,013,390	20,469,761
2001	413,535,520	1,181,530,057	24,740,020	28,113,659
2000	354,627,200	1,013,220,571	26,070,840	29,625,955
1999	345,177,050	986,220,143	30,688,820	34,873,659
1998	329,554,390	941,583,971	26,540,300	30,159,432
1997	299,600,680	856,001,943	27,091,360	30,785,636
1996	292,267,440	835,049,829	27,574,380	31,334,523
1995	288,916,210	825,474,886	37,924,080	43,095,545

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

- (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 of actual value for capital assets  
 and 23 percent for inventory

Tangible Personal Property		Total	
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
\$49,910,985	\$199,643,940	\$538,651,635	\$1,557,981,834
58,832,880	235,331,520	515,838,050	1,503,598,749
63,851,343	255,405,372	512,118,613	1,505,171,933
57,941,478	231,765,912	496,217,018	1,441,409,628
53,400,026	213,600,104	434,098,066	1,256,446,630
49,644,275	198,577,100	425,510,145	1,219,670,902
49,559,054	198,236,216	405,653,744	1,169,979,619
47,041,383	188,165,532	373,733,423	1,074,953,111
46,563,410	186,253,640	366,405,230	1,052,637,992
45,279,552	181,118,208	372,119,842	1,049,688,639

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

Year	School Levy	County Levy	Library Levy	City Levy	Total Levy	Debt Service Included in Total Levy			
						School	County	City	Total
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
1995	23.40	16.80	1.40	3.60	45.20	0.00	1.40	0.76	2.16

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 Auditors.

**Independence Local School District**  
*Ratio of Net General Obligation Bonded Debt to  
 Assessed Value and Net Bonded Debt Per Capita  
 Last Two Fiscal Years*

Year	General Obligation Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
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.
- (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, 2004*

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<b>Assessed Valuation</b>		<u>\$538,651,635</u>
Debt Limit - 9% of Assessed Value (1)		\$48,478,647
Amount of Debt Applicable to Debt Limit		
General Obligation Bonds	17,690,000	
Capital Appreciation Bonds	140,000	
Less: Amount Available in Debt Service	<u>(647,876)</u>	
Net Debt		<u>17,182,124</u>
Overall Debt Margin		<u>\$31,296,523</u>
Debt Limit - 0.1% of Assessed Value (1)		\$538,652
Amount of Debt Applicable		<u>0</u>
All Other Unvoted Debt Margin		<u>\$538,652</u>

Source: Cuyahoga County Auditor and School District Financial Records

(1) Ohio Bond Law sets a limit of 9% for voted debt, 9/10 of 1% for unvoted energy conservation projects and 1/10 of 1% for all other unvoted debt.



**Independence Local School District**

*Computation of Direct and Overlapping General Obligation Bonded Debt*

*December 31, 2003*

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<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to School District (1)</u>	<u>Amount Applicable to School District</u>
<u>Direct:</u>			
Independence Local School District	\$17,844,157	100.00 %	\$17,844,157
<u>Overlapping:</u>			
Independence City	26,885,000	100.00	26,885,000
Cuyahoga County	183,239,636	1.60	3,316,637
Regional Transit Authority	<u>100,855,000</u>	1.60	<u>1,825,476</u>
Total Overlapping	<u>310,979,636</u>		<u>32,027,113</u>
Total	<u><u>\$328,823,793</u></u>		<u><u>\$49,871,270</u></u>

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 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*

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<u>Year</u>	<u>Cuyahoga County Population(1)</u>	<u>Independence City Population(1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
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
1995	1,403,239	6,800	889	4.8

Sources: (1) U.S. Census of Population, 2000 Federal Census, 1990 Federal Census

(2) Represents Cuyahoga County

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

Year	Property Value (Real Estate Only)	Financial Institution Deposits (000's) Banks	Value of Building Permits Issued
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
1994	265,904,260	20,885,453	11,240,690

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

**Independence Local School District**

*Principal Taxpayers*

*Real Estate Tax*

*December 31, 2003*

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<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Real Property Assessed Value</u>
Duke Realty Limited Partnership	\$40,566,720	8.69%
The Cleveland Clinic	13,794,010	2.96
Rockside-77 Properties Ltd	11,319,150	2.43
Summit Office Park Limited Partnership	10,093,230	2.16
Jagi Cleveland-Independence, LLC	6,429,680	1.38
Independence Suites	6,270,050	1.34
6055 Properties	5,617,610	1.20
Minoff Industrial Park Co.	4,935,250	1.06
Hub Valley Realty	4,246,280	0.91
Rockside Center	<u>4,114,080</u>	0.88
Total	<u>\$103,271,980</u>	<u>22.13%</u>
Total Real Estate Valuation	<u>\$466,620,460</u>	

Source: Cuyahoga County Auditor

(1) Assessed values are for Calendar Year 2003

**Independence Local School District**

*Principal Taxpayers*

*Tangible Personal Property Tax*

*December 31, 2003*

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<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Real Property Assessed Value</u>
Avtron Manufacturing Inc.	\$2,352,770	4.71%
Independence Excavating Inc.	2,192,680	4.39
United Rentals	1,887,170	3.78
Linde Gas LLC	1,540,860	3.09
Ferro Corp	1,424,600	2.85
Hydraulic Press Brick Co.	1,401,750	2.81
New Jacor Inc.	1,390,000	2.78
Swaglok Manufacturing Co.	1,033,860	2.07
Cross Roads Lincoln	915,200	1.83
IBM Credit LLC	636,110	1.27
Total	<u>\$14,775,000</u>	<u>29.58%</u>
Total Tangible Assessed Valuation	<u>\$49,910,985</u>	

Source: Cuyahoga County Auditor

(1) Assessed values are for Calendar Year 2003

**Independence Local School District**

*Principal Taxpayers*

*Public Utilities Tax*

*December 31, 2003*

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Public Utility Assessed Value</u>
Cleveland Electric Illuminating Company	\$7,112,810	32.16%
Ohio Bell Telephone Company	4,033,330	19.23
PCS of Cleveland LLC	3,548,060	16.92
American Transmission System	2,448,600	11.68
New Par	1,624,070	7.74
East Ohio Gas	1,246,420	5.94
Alltel Ohio Limited Partnership	286,760	1.37
Sprint Communications Inc	265,970	1.27
Sprintcom Inc.	212,210	1.01
MCI Worldcom Network	192,500	0.92
Total	<u>\$20,970,730</u>	<u>98.24%</u>
Total District Public Utility Assessed Value	<u>\$22,120,190</u>	

Source: Cuyahoga County Auditor

(1) Assessed values are for Calendar Year 2003

**Independence Local School District**

*Cost Per Pupil*

*Last Ten Fiscal Years*

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<u>Year</u>	<u>General Fund Expenditures (1)</u>	<u>Average Daily Student Enrollment</u>	<u>Cost Per Pupil</u>
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
1995	7,636,420	889	8,590

Source: District Financial Records

(1) Fiscal Years 1996 - 2004 are reported on a GAAP basis, all other years are reported on the cash basis.







**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MARCH 22, 2005**