



**INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 18, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the District's management dated December 18, 2006, we reported another matter related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

December 18, 2006

INDEPENDENCE LOCAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006
 SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2006-001
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Ohio Rev. Code § 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations. A review of the District's general ledger disclosed the following funds had significant negative cash fund balances as of June 30, 2006:

<u>Fund</u>	<u>Amount</u>
Auxiliary Services	(\$35,494)
Building	(\$1,158,345)

We recommend that the budget be monitored to ensure that sufficient cash is on hand to pay for obligations and that advances be utilized when legal.

District Response:

The Board is negotiating an expenditure reduction plan with St. Michael's to resolve the auxiliary services fund deficit. Pending litigation against the general contractor for the high school will potentially reduce the Building fund deficit.

Finding Number	2006-002
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of June 30, 2006, the following fund/functions had expenditures plus encumbrances in excess of appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures plus Encumbrances</u>	<u>Excess</u>
General Fund			
Support Services-instructional staff	\$1,061,315	\$1,127,466	\$66,151
Support Services-fiscal	371,534	458,166	86,632
Support Services-operation and maintenance of plant	1,318,805	1,501,579	182,774
Support Services-pupil transportation	550,622	636,615	85,993
Operation of non-instructional services	175	350	175
Extracurricular activities	320,335	393,894	73,559
Bond Retirement Fund			
Other	550	976	426
Building Fund			
Capital Outlay	1,805,693	1,945,785	140,092
Auxiliary services Fund			
Operation of non-instructional services	215,800	236,910	21,110
Drug Free Schools			
Instruction-regular	1,725	2,193	468

INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2006-02 (Continued)
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We recommend expenditures plus encumbrances be compared to appropriations at the time of the purchase commitment and appropriations be amended when necessary.

District Response:

The Treasurer will monitor this area more closely in the future.

INDEPENDENCE LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (B)

Finding Number	Finding Summary	Fully Corrected?	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
2005-001	Contrary to Ohio Rev. Code § 5705.39, various funds had appropriations in excess of estimated revenue.	Yes	

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

**Comprehensive
Annual Financial Report**

For the Fiscal Year Ended June 30, 2006

Prepared by

Treasurer's Office
Gerald Zelenka
Treasurer

Independence Local School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
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Comprehensive Annual Financial Report
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Introductory Section



INDEPENDENCE LOCAL SCHOOLS

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

December 18, 2006

David J. Laurenzi
Superintendent
(216) 642-5850

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

Gerald Zelenka
Treasurer
(216) 642-5854

We are pleased to submit to you the ninth Comprehensive Annual Financial Report (CAFR) of the Independence Local School District (the School District). This report provides full disclosure of the financial operation of the School District for the fiscal year ended June 30, 2006. This CAFR includes an opinion from the Auditor of the State of Ohio and conforms to generally accepted accounting principles as applicable to government entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide taxpayers of the School District with comprehensive financial data in a format that will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to the Independence Public Library, major taxpayers, financial rating services and other interested parties.

Davi Richard McDermott
Director of
Curriculum
& Instruction
(216) 642-5852
(216-642-5850)

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

1. The Introductory Section contains a Table of Contents, Letter of Transmittal, Board of Education and Appointed Officials, an Organizational Chart of the School District, and the Government Finance Officer's Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year ending 2005.
2. The Financial Section begins with the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes, which provide an overview of the School District's financial position and operating results, the Combining Statements by Fund Type and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents social and economic data, financial trends, and the fiscal capacity of the School District.

Rick Wherley
Technology
Coordinator
(216) 642-5884

Davi Al Yano
Service Manager
(216) 642-5853

School District Organization

The School District is one of the 614 school districts in the State of Ohio and one of the 33 school districts in Cuyahoga County. The School District provides education to 1,109 students in grades K-12 and preschool. The School District is located in northeast Ohio, ten miles south of downtown Cleveland. Geographically, the School District encompasses the entire City of Independence, which is approximately 10 square miles.

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

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

Reporting Entity

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

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

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

Economic Condition and Outlook

While most of the School District is located in a residential area, there is heavy reliance on commercial development along its Rockside Road Corridor. The 3-mile corridor has more than 4 million square feet of office space, over 70 percent of which is Class A. In addition, the City of Independence has the lowest real estate tax rate of any city in the County and more than 50 percent of the largest suburban commercial properties in Cleveland call the City of Independence home. Furthermore, more than half of the 1,350 businesses in the City are in the service, financial, insurance or real estate trade. The City boasts almost 1,884 hotel rooms, 36 restaurants and an employee friendly suburban environment. Future economic development is planned for the corridor's northwest quadrant. However, a flat economy has delayed all new developments but one. The Cleveland Cavaliers, NBA entry, have broken ground on a new practice facility estimated to cost \$15 million with a summer 2007 anticipated completion date.

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.

In examining the long term future of the School District, there are no plans for any construction or additions to any district buildings. There will be a 1.25 mill replacement Permanent Improvement property tax levy on the ballot in February of 2007. The purpose of this levy is to continue to provide adequate funding to make the necessary building improvements as well as provide for technology enhancements to the classrooms. The replacement levy would generate approximately \$723,939 per year or an additional \$336,834 over the current revenue stream from the existing Permanent Improvement levy.

In looking at future revenues and expenditures, the School District’s existing 5 mill emergency levy that was passed for three (3) years by voters in calendar year 2005 will expire at the end of calendar year 2008. The \$2.6 million generated per year by this levy has not been factored in beyond the year 2008 budget. This, in turn results in a reduction in the revenue stream beginning in fiscal year 2009. It is currently planned to place this 5 mill levy as a renewal levy before the voters in November of 2007 or February 2008. This would represent no new taxes to the voters. With the passage of this issue, the \$2.6 million per year revenue stream would be guaranteed through the end of fiscal year 2011, thus enabling the successful operation of the School District through that time period.

For the expenditure side, wage contracts with both unions call for a modest 1 % increase in August of 2007, carrying through to August of 2008. Healthcare premium participation by all district employees, beginning in September 2006, has softened the premium increases from medical carriers in that area.

Major Initiatives

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

Primary accomplishments for 2006 were as follows:

- Received the Certificate of Excellence in Financial Reporting from the Government Finance Officer’s Association (GFOA), for the eighth consecutive year.

- The School District continues to perform well on the State established Local Report Card. The 2005 Local Report Card reflected having met 25 of the 25 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.
- The successful implementation of ProgressBooks, a software that allows teachers to maintain grade books on the Web and allows students/parents access to the student's progress.
- A full range of extracurricular programs and activities are available to students beginning in the elementary grades. A complete competitive athletic program is offered beginning in the 7th grade at the Middle School.
- Talented and gifted instruction is available to all students.

Financial Information

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

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

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

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

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

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

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

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

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

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

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

As part of this new reporting model, management is responsible for preparing a Discussion and Analysis of the School District. This discussion appears after the Independent Accountants' Report in the financial section of this report. The Management Discussion and Analysis provides an assessment of the School District's finances for 2006.

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 checks are covered on a "just in time" basis through special clearing accounts set up by the depository. Cash not currently needed to cover these checks is maintained in the School District's investment accounts. Interest revenue in the governmental funds was \$57,550 for the year ending June 30, 2006, with \$55,083 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 2006, the School District's investments were limited to STAROhio, non-negotiable Certificates of Deposit and overnight repurchase agreements.

Risk Management

The School District contracted with the following companies for insurance: the Indiana Insurance Company for property, crime and inland marine, the Travelers Property Casualty for boiler and the Ohio Casualty Insurance Company for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$2,500 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$250 deductible. The boiler insurance coverage is \$30,000,000 per accident with a \$1,000 deductible and the employee dishonesty insurance has coverage up to \$255,000 with a \$1,000 deductible.

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

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

Independent Audit

State statute requires the School District to be audited at least every two fiscal years by an independent auditor. Independent auditor Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2006. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. The opinion appears at the beginning of the financial section of this report. Pursuant to state statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all school districts in Ohio. The District adopted and has been in conformance with that system beginning with its financial report for 1979.

Awards

GFOA Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its comprehensive annual financial report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose content conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully submitted,

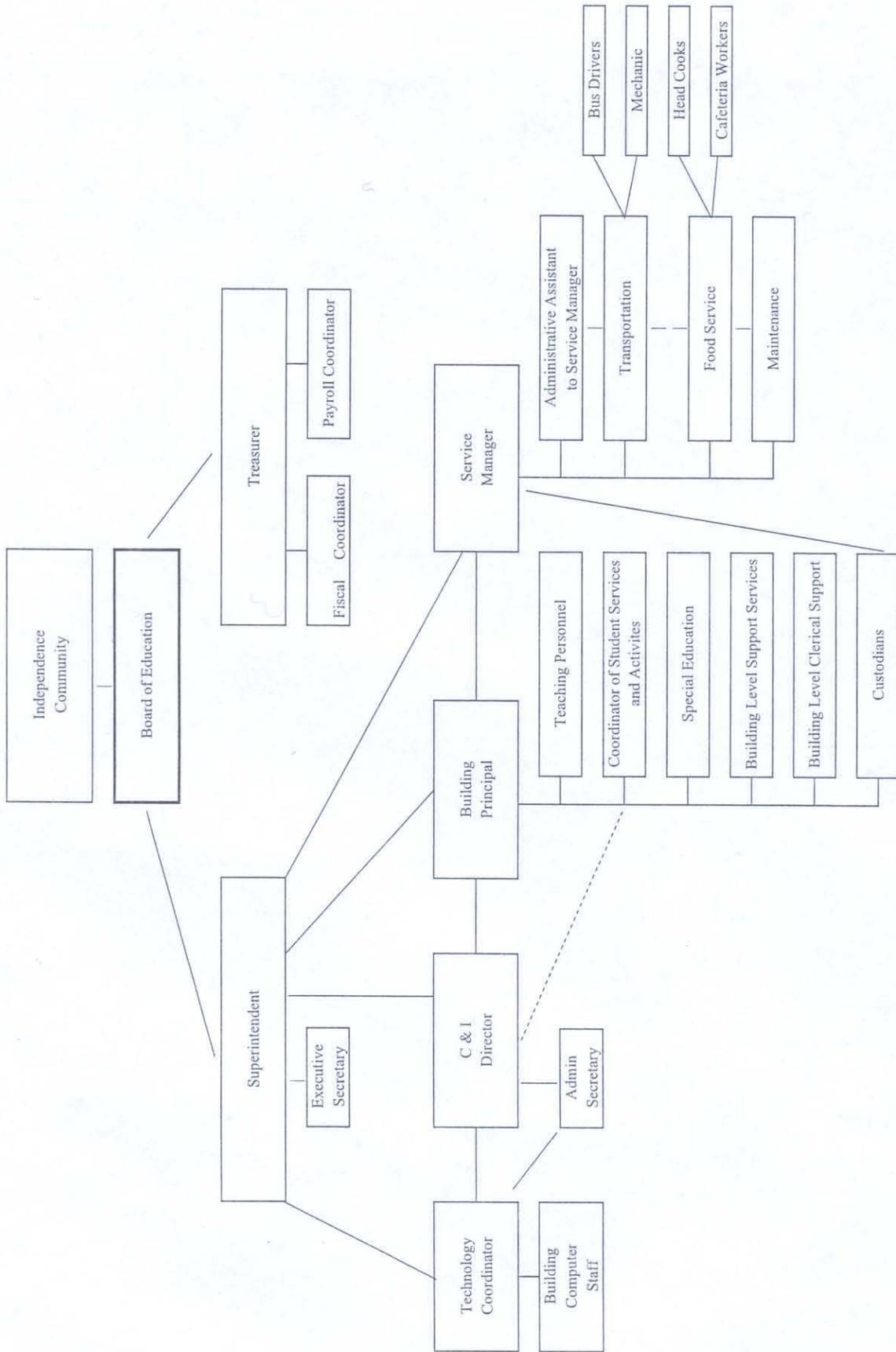


Gerald Zelenka
Treasurer/Chief Financial Officer



David J. Laurenzi
Superintendent

Independence Local School District
Organizational Chart



Independence Local School District

Principal Officials

June 30, 2006

Board of Education

Ms. Kathleen Kapusta.....President
Ms. Lynne Laski Vice President
Mr. Russell G. Fortlage.....Member
Ms. Nancy Joyce.....Member
Mr. Jerry Narduzzi.....Member

Appointed Officials

David J. Laurenzi.....Superintendent
Gerald ZelenkaTreasurer/Chief Financial Officer
Richard T. McDermott Director of Curriculum and Instruction
Roger S. Howard.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

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, 2005

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



President

Executive Director

Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining 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

December 18, 2006

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

The discussion and analysis of the Independence School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- ◆ In total, net assets of governmental activities increased \$265,489 which represents a 1.7 percent increase from 2005.
- ◆ Revenues for governmental activities totaled \$16,412,328 in 2006. Of this total, \$15,009,611 or 91 percent consisted of general revenues while program revenues accounted for the balance of \$1,402,717 or 9 percent.
- ◆ Total assets of governmental activities increased by \$1,729,246 which primarily includes cash and cash equivalent decrease of \$953,756, taxes receivable increase of \$1,676,441, and net capital asset increase of \$1,008,904.
- ◆ Program expenses totaled \$16,146,839. Instructional expenses made up \$7,567,256 or 47 percent of this total while support services accounted for \$6,320,918 or 39 percent. Other expenses, \$2,258,665 rounded out the remaining 14 percent.

Using the Comprehensive Annual Financial Report (CAFR)

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

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

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The financial statements of the School District's major funds begin on page 14. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, 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, 2006
(Unaudited)

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

Table 1
Net Assets
Governmental Activities

	2006	2005
Assets		
Current and Other Assets	\$16,352,991	\$15,632,649
Capital Assets, Net	34,162,400	33,153,496
<i>Total Assets</i>	50,515,391	48,786,145
Liabilities		
Current Liabilities	14,382,890	12,440,790
Long-term Liabilities		
Due within One Year	740,796	628,796
Due within More Than One Year	19,453,328	20,043,671
<i>Total Liabilities</i>	34,577,014	33,113,257
Net Assets		
Invested in Capital Assets, net of Related Debt	17,438,504	15,809,432
Restricted For:		
Debt Service	955,393	893,729
Capital Outlay	129,030	239,719
Other Purpose	56,560	62,576
Unrestricted	(2,641,110)	(1,332,568)
<i>Total Net Assets</i>	\$15,938,377	\$15,672,888

Total assets increased \$1,729,246. This increase was made up of several factors. Of the total increase, \$1,008,904 can be attributed directly to the area of capital assets with additional construction costs of the new high school building. However, the overall asset increase was offset, in part, by a decrease of \$953,756 in equity in pooled cash and cash equivalents, primarily from the same construction costs incurred. Finally contributing to the over increase in assets, was the increase in taxes receivable of \$1,676,441. This increase was primarily due to a new levy passed in February 2005.

Total liabilities increased by \$1,463,757. A combination of increases and decreases contributed to this overall increase. Within the total increase was a decrease in long-term liabilities of \$478,343. This decrease was due primarily to debt retirement. Offsetting this decrease, and causing the overall increase in total liabilities, was an increase in unearned revenue. This resulted from an increase in taxes receivable.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

By comparing assets and liabilities, one can see that the overall position of the School District has improved as evidenced by the increase in net assets of \$265,489.

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

Table 2
Changes in Net Assets
Governmental Activities

	2006	2005
Program Revenues		
Charges for Sales and Services	\$ 387,506	\$ 459,797
Operating Grants, Interest and Contributions	1,015,211	335,694
Capital Grants and Contributions	0	9,450
General Revenues		
Property Taxes	12,794,488	11,237,804
Grants and Entitlements	1,863,393	7,458,201
Investments	57,550	67,356
Miscellaneous	294,180	297,041
Gain on the sale of capital assets	0	1,945,617
<i>Total Revenues</i>	16,412,328	21,810,960
Program Expenses		
Instruction	7,567,256	6,914,854
Support Services:		
Pupils	604,480	606,487
Instructional Staff	1,353,490	1,004,526
Board of Education	126,299	169,425
Administration	973,149	884,731
Fiscal	460,171	393,534
Business	198,752	147,554
Operation and Maintenance of Plant	1,895,616	1,357,364
Pupil Transportation	703,961	533,786
Central	5,000	5,000
Operation of Non-Instructional Services	244,312	234,708
Food Service Operations	355,653	275,267
Extracurricular Activities	711,632	491,140
Interest and Fiscal Charges	947,068	869,431
<i>Total Program Expenses</i>	16,146,839	13,887,807
<i>Change in Net Assets</i>	265,489	7,923,153
<i>Net Assets Beginning of Year</i>	15,672,888	7,749,735
<i>Net Assets End of Year</i>	\$ 15,938,377	\$ 15,672,888

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

Governmental Activities

The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$15,009,611 or 91 percent of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,402,717 or only 9 percent of total revenue.

The most significant changes in overall decrease in revenues of \$5,398,632 was within the grants and entitlements not restricted (\$5,594,808) and gain on sale of capital assets (\$1,945,617) revenue accounts. During fiscal year 2005, the School District recognized \$5,509,283 from resources received from the City of Independence, Ohio. These monies were received as part of the City's share of constructions costs associated with construction of a 55,000 sq. ft. shared facilities building used for athletic events and residence use. Also in fiscal year 2005, the School District recognized a significant gain from the sale of the previously used middle school property. These proceeds were used to help offset the construction costs of the new high school building.

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 78 percent of revenues for governmental activities for the School District in fiscal year 2006. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instructional expenses comprise 47 percent of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 39 percent. The remaining 14 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.

	2006
Instruction	\$ 7,567,256
Support Services	6,320,918
Other	2,258,665
Total	\$ 16,146,839

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

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Governmental Activities				
Instruction:				
Regular	\$ 6,873,052	\$6,842,381	\$6,233,958	\$6,123,475
Special	232,624	204,710	437,155	413,937
Other	461,580	461,580	243,741	243,741
Support Services:				
Pupil	604,480	604,480	606,487	605,393
Instructional Staff	1,353,490	1,340,840	1,004,526	983,151
Board of Education	126,299	126,299	169,425	169,425
Administration	973,149	973,149	884,731	884,731
Fiscal	460,171	460,171	393,534	393,534
Business	198,752	198,752	147,554	147,554
Operation and Maintenance of Plant	1,895,616	1,873,791	1,357,364	1,338,779
Pupil Transportation	703,961	330,400	533,786	533,786
Central	5,000	0	5,000	0
Operation of Non-Instructional Services	244,312	19,515	234,708	40,903
Food Service Operations	355,653	80,348	275,267	10,009
Extracurricular Activities	711,632	280,638	491,140	325,017
Interest and Fiscal Charges	947,068	947,068	869,431	869,431
Total	\$16,146,839	\$14,744,122	\$13,887,807	\$13,082,866

The dependence upon the general revenues for governmental activities is apparent. 91 percent of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and “grant and entitlements not restricted to specific programs” are used to provide program services. The community, as a whole, is by far the primary supporter for the School District students.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,433,657 and expenditures of \$17,625,758. The net change in fund balance for the year was most significant in the building fund, with a decrease of \$1,264,451. This decrease was from costs incurred in construction of a new high school. The general fund reported a net decrease in fund balance of \$79,593. This decrease is deemed insignificant.

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

General Fund Budgeting Highlights

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

During fiscal 2006, 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 \$12,448,207, \$507,869 below the original budget estimates of \$12,956,076. This decrease was primarily due to the change in the estimated amount of homestead rollback revenue that was anticipated.

Total actual expenditures, including other financing sources, on the budget basis (cash outlays plus encumbrances) were \$13,268,311, \$25,153 more than actual revenues and other financing sources. The School District's unencumbered ending balance totaled \$840,885, which was above the final budgeted amount of \$205,797.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the School District had \$34,162,400 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2006 values compared to 2005. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	2006	2005
Land	\$ 147,099	\$ 147,099
Land Improvements	152,532	166,399
Building Improvements	32,799,703	31,619,171
Furniture and Equipment	689,515	866,787
Vehicles	373,551	354,040
Total Capital Assets	\$ 34,162,400	\$ 33,153,496

Independence Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2006
(Unaudited)

All capital assets, except land, are reported net of depreciation. The primary capital asset increase occurred from the construction of the new high school and shared facility.

For fiscal year 2006, 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 2006, this amounted to \$169,281 for each set aside. For fiscal year 2006, 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, 2006, the School District has \$17,007,092 in net bonds outstanding for construction of a new high school and to convert the current high school into a middle school. The School District also had \$1,500,000 in notes outstanding. More detailed information about the School Districts outstanding debt is presented in Note 15 of the notes to the basic financial statements.

School District Outlook

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

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

As a result of the challenges mentioned above, it is imperative that the School District's management continues to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

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

Basic Financial Statements

Independence Local School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 826,056
Taxes Receivable	15,314,501
Intergovernmental Receivable	8,104
Deferred Charges	198,565
Inventory Held for Resale	5,765
Non-Depreciable Capital Assets	147,099
Depreciable Capital Assets, Net	34,015,301
<i>Total Assets</i>	50,515,391
Liabilities	
Accounts Payable	49,259
Accrued Wages	988,220
Intergovernmental Payable	351,351
Accrued Interest Payable	64,300
Vacation Benefits Payable	106,061
Matured Compensated Absences Payable	38,093
Retainage Payable	91,706
Unearned Revenue	12,693,900
Long -Term Liabilities:	
Due Within One Year	740,796
Due In More Than One Year	19,453,328
<i>Total Liabilities</i>	34,577,014
Net Assets	
Invested in Capital Assets, Net of Related Debt	17,438,504
Restricted for:	
Debt Service	955,393
Capital Outlay	129,030
Other Purposes	56,560
Unrestricted	(2,641,110)
<i>Total Net Assets</i>	\$ 15,938,377

Independence Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 6,873,052	\$ 15,944	\$ 14,727	\$ 0	\$ (6,842,381)
Special	232,624	8,275	19,639	0	(204,710)
Other	461,580	0	0	0	(461,580)
Support Services:					
Pupils	604,480	0	0	0	(604,480)
Instructional Staff	1,353,490	0	12,650	0	(1,340,840)
Board of Education	126,299	0	0	0	(126,299)
Administration	973,149	0	0	0	(973,149)
Fiscal	460,171	0	0	0	(460,171)
Business	198,752	0	0	0	(198,752)
Operation and Maintenance of Plant	1,895,616	21,825	0	0	(1,873,791)
Central	5,000	0	5,000	0	0
Pupil Transportation	703,961	0	373,561	0	(330,400)
Operation of Non-Instructional Services	244,312	0	224,797	0	(19,515)
Food Service Operations	355,653	216,109	59,196	0	(80,348)
Extracurricular Activities	711,632	125,353	305,641	0	(280,638)
Interest and Fiscal Charges	947,068	0	0	0	(947,068)
<i>Total Governmental Activities</i>	<u>\$ 16,146,839</u>	<u>\$ 387,506</u>	<u>\$ 1,015,211</u>	<u>\$ 0</u>	<u>\$ (14,744,122)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	11,174,194
Debt Service	1,262,377
Capital Outlay	357,917
Grants and Entitlements not Restricted to Specific Programs	1,863,393
Investment Earnings	57,550
Miscellaneous	294,180
<i>Total General Revenues</i>	<u>15,009,611</u>

Change in Net Assets 265,489

Net Assets Beginning of Year 15,672,888
Net Assets End of Year \$ 15,938,377

Independence Local School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Bond Retirement	Permanent Improvement	Building
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1	\$ 626,193	\$ 118,252	\$ 1
Taxes Receivable	13,521,095	1,439,235	354,171	0
Intergovernmental Receivable	0	0	0	0
Interfund Receivable	900,968	142,711	0	52,000
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>14,422,064</u>	<u>2,208,139</u>	<u>472,423</u>	<u>52,001</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	33,665	0	0	0
Accrued Wages	964,013	0	0	0
Interfund Payable	0	0	52,000	1,018,254
Intergovernmental Payable	339,919	0	0	0
Matured Compensated Absences Payable	38,093	0	0	0
Retainage Payable	0	0	0	91,706
Deferred Revenue	12,376,177	1,314,776	323,026	0
<i>Total Liabilities</i>	<u>13,751,867</u>	<u>1,314,776</u>	<u>375,026</u>	<u>1,109,960</u>
Fund Balances				
Reserved for Encumbrances	17,976	0	0	92,263
Reserved for Property Taxes	1,144,918	124,459	31,145	0
Unreserved:				
Undesignated, Reported in:				
General Fund	(492,697)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	768,904	0	0
Capital Projects Funds	0	0	66,252	(1,150,222)
<i>Total Fund Balances</i>	<u>670,197</u>	<u>893,363</u>	<u>97,397</u>	<u>(1,057,959)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,422,064</u>	<u>\$ 2,208,139</u>	<u>\$ 472,423</u>	<u>\$ 52,001</u>

All Other Governmental Funds	Total Governmental Funds
\$ 81,609	\$ 826,056
0	15,314,501
8,104	8,104
0	1,095,679
5,765	5,765
<u>95,478</u>	<u>17,250,105</u>
15,594	49,259
24,207	988,220
25,425	1,095,679
11,432	351,351
0	38,093
0	91,706
3,000	14,016,979
<u>79,658</u>	<u>16,631,287</u>
8,170	118,409
0	1,300,522
0	(492,697)
7,631	7,631
0	768,904
19	(1,083,951)
<u>15,820</u>	<u>618,818</u>
<u>\$ 95,478</u>	<u>\$ 17,250,105</u>

Independence Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances		\$ 618,818
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		34,162,400
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Delinquent Property Taxes	\$ 1,320,079	
Intergovernmental	3,000	1,323,079
Long-term liabilities that are not due and payable in the current period and therefore, are not reported in the funds.		
Current Interest Serial Bonds	\$ (5,675,000)	
Current Interest Term Bonds	(10,905,000)	
Capital Appreciation Bonds	(140,000)	
Accretion of Capital Appreciation Bonds	(84,631)	
Unamortized Bond Premium	(202,461)	
Notes Payable	(1,500,000)	(18,507,092)
Bond issuance costs will be amortized over the life of the bond on the statement of net assets.		198,565
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Vacations Benefits Payable	\$ (106,061)	
Accrued Interest Payable	(64,300)	
Compensated Absences	(1,687,032)	(1,857,393)
Net Assets of Governmental Activities		\$ 15,938,377

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Independence Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Bond Retirement	Permanent Improvement	Building
Revenues				
Property and Other Local Taxes	\$ 11,184,545	\$ 1,270,254	\$ 364,016	\$ 0
Intergovernmental	1,671,723	116,181	75,489	679,202
Interest	55,083	0	2,467	0
Tuition and Fees	73,414	0	0	0
Extracurricular Activities	21,813	0	0	0
Rentals	21,825	0	0	0
Gifts and Donations	180	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	92,516	47,830	108,101	0
<i>Total Revenues</i>	<u>13,121,099</u>	<u>1,434,265</u>	<u>550,073</u>	<u>679,202</u>
Expenditures				
Current:				
Instruction:				
Regular	6,565,071	0	9,649	0
Special	195,422	0	0	0
Other	461,580	0	0	0
Support Services:				
Pupils	585,580	0	0	0
Instructional Staff	1,122,155	0	107,964	0
Board of Education	126,299	0	0	0
Administration	942,256	0	0	0
Fiscal	461,046	976	283	0
Business	169,731	0	0	0
Operation and Maintenance of Plant	1,447,034	0	124,435	0
Pupil Transportation	635,677	0	83,487	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	350	0	0	0
Extracurricular Activities	395,741	0	0	0
Capital Outlay	0	0	0	1,943,653
Debt Service:				
Principal	0	620,000	0	0
Interest and Fiscal Charges	52,800	744,765	122,352	0
<i>Total Expenditures</i>	<u>13,160,742</u>	<u>1,365,741</u>	<u>448,170</u>	<u>1,943,653</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(39,643)</u>	<u>68,524</u>	<u>101,903</u>	<u>(1,264,451)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(39,950)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(39,950)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(79,593)	68,524	101,903	(1,264,451)
<i>Fund Balance (Deficit) at Beginning of Year</i>	749,790	824,839	(4,506)	206,492
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 670,197</u>	<u>\$ 893,363</u>	<u>\$ 97,397</u>	<u>\$ (1,057,959)</u>

Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 12,818,815
332,882	2,875,477
0	57,550
11,141	84,555
37,698	59,511
0	21,825
5,506	5,686
216,109	216,109
45,682	294,129
<u>649,018</u>	<u>16,433,657</u>
35,115	6,609,835
19,130	214,552
0	461,580
250	585,830
13,462	1,243,581
0	126,299
0	942,256
0	462,305
29,021	198,752
0	1,571,469
0	719,164
5,000	5,000
234,357	234,357
298,051	298,401
73,066	468,807
0	1,943,653
0	620,000
0	919,917
<u>707,452</u>	<u>17,625,758</u>
<u>(58,434)</u>	<u>(1,192,101)</u>
39,950	39,950
0	(39,950)
<u>39,950</u>	<u>0</u>
(18,484)	(1,192,101)
<u>34,304</u>	<u>1,810,919</u>
<u>\$ 15,820</u>	<u>\$ 618,818</u>

Independence Local School District
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds		\$ (1,192,101)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,998,086	
Current Year Depreciation	<u>(989,182)</u>	1,008,904
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	\$ (24,329)	
Intergovernmental	<u>3,000</u>	(21,329)
 Repayment of bond and note principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Current Interest Serial Bonds		620,000
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	\$ (122,117)	
Increase in Vacation Benefits Payable	<u>(717)</u>	(122,834)
 In statement of activities, interest is accrued and amortized on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in Accrued Interest	\$ 1,017	
Current Year Bond Premium Amortization	8,796	
Current Year Bond Issuance Costs Amortization	(8,628)	
Current Year Bond Accretion	<u>(28,336)</u>	<u>(27,151)</u>
 Change in Net Assets of Governmental Activities		 <u><u>\$ 265,489</u></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, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 10,747,799	\$ 10,747,799	\$ 11,306,604	\$ 558,805
Intergovernmental	2,000,227	1,492,358	1,671,723	179,365
Interest	46,000	46,000	55,083	9,083
Tuition and Fees	75,150	75,150	73,414	(1,736)
Rentals	18,000	18,000	21,825	3,825
Extracurricular Activities	45,400	45,400	21,813	(23,587)
Gifts and Donations	11,500	11,500	180	(11,320)
Miscellaneous	12,000	12,000	92,516	80,516
<i>Total Revenues</i>	<u>12,956,076</u>	<u>12,448,207</u>	<u>13,243,158</u>	<u>794,951</u>
Expenditures				
Current:				
Instruction:				
Regular	6,740,748	6,604,343	6,591,568	12,775
Special	492,679	214,202	189,081	25,121
Other	323,000	574,931	461,580	113,351
Support Services:				
Pupils	657,548	658,848	583,673	75,175
Instructional Staff	1,288,722	1,061,315	1,127,466	(66,151)
Board of Education	147,689	148,589	126,800	21,789
Administration	1,027,967	940,524	937,114	3,410
Fiscal	371,534	371,534	458,166	(86,632)
Business	186,445	187,020	169,775	17,245
Operation and Maintenance of Plant	1,318,805	1,318,805	1,501,579	(182,774)
Pupil Transportation	542,122	550,622	636,615	(85,993)
Operation of Non-Instructional Services	0	175	350	(175)
Extracurricular Activities	320,935	320,335	393,894	(73,559)
Debt Service:				
Interest	79,200	79,200	52,800	26,400
Total Expenditures	<u>13,497,394</u>	<u>13,030,443</u>	<u>13,230,461</u>	<u>(200,018)</u>
Excess of Revenues Over (Under) Expenditures	<u>(541,318)</u>	<u>(582,236)</u>	<u>12,697</u>	<u>594,933</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	(50,000)	(37,850)	12,150
Advances Out	(28,000)	(28,000)	0	28,000
<i>Total Other Financing Sources (Uses)</i>	<u>(78,000)</u>	<u>(78,000)</u>	<u>(37,850)</u>	<u>40,150</u>
<i>Net Change in Fund Balance</i>	(619,318)	(660,236)	(25,153)	635,083
<i>Fund Balance (Deficit) at Beginning of Year</i>	690,263	690,263	690,263	0
<i>Prior Year Encumbrances Appropriated</i>	175,770	175,770	175,770	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 246,715</u>	<u>\$ 205,797</u>	<u>\$ 840,880</u>	<u>\$ 635,083</u>

Independence Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 8,382	\$ 174,450
Liabilities		
Undistributed Monies	0	439
Due to Students	0	174,011
<i>Total Liabilities</i>	0	\$ 174,450
Net Assets		
Held in Trust for Scholarships	8,382	
<i>Total Net Assets</i>	\$ 8,382	

Independence Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust Scholarship</u>
Additions	
Interest	<u>\$ 220</u>
<i>Net Change in Net Assets</i>	220
<i>Net Assets Beginning of Year</i>	<u>8,162</u>
<i>Net Assets End of Year</i>	<u>\$ 8,382</u>

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 71 classified employees, 84 certificated teachers, and 7 certificated administrators who provide services to 1,109 students and other community members.

Reporting Entity

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

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

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*," Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits*."

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. Following are the most significant of the School District's accounting policies.

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.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

B. Fund Accounting

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

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

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

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

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

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

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue within the basic financial statements.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, the School District's investments were limited to investments in STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost. The School District did not invest in either of these during fiscal year 2006.

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, 2006.

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006 amounted to \$55,083, which includes \$20,594 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. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material or for the purchase and maintaining of capital assets of the School District. See Note 19 for additional information regarding set asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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. The School District has no prepaid items.

H. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when consumed.

Inventories of the food service special revenue fund are stated as cost, which is determined on a first-in, first-out basis. Inventory consists of donated food and purchased food held for resale and is expensed when consumed.

I. Deferred Charges

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

J. Bond Premium

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

M. Compensated Absences

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

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

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

O. Interfund Activity

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

P. Fund Balance Reserves

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

Q. Net Assets

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 were in effect at the time the final appropriations were passed by the Board of Education.

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

Note 3 – Accountability and Compliance

A. Accountability

The following funds had deficit balances at June 30, 2006:

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	<u>Fund Balance</u>	<u>Net Asset</u>
Building fund	\$1,057,959	\$1,057,959
<u>Nonmajor special revenue funds:</u>		
Food service fund	12,687	31,795
Uniform school supplies fund	771	771
District managed activities fund	5,355	5,355
Auxiliary services fund	41,345	43,120
Title V fund	200	1,575

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

B. Compliance

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

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General fund	Support services-instructional staff	\$ 1,061,315	\$ 1,127,466	\$ 66,151
General fund	Support services-fiscal	371,534	458,166	86,632
General fund	Support services-operation and maintenance of plant	1,318,805	1,501,579	182,774
General fund	Support services-pupil transportation	550,622	636,615	85,993
General fund	Operation of non-instructional services	175	350	175
General fund	Extracurricular activities	320,335	393,894	73,559
<u>Debt service fund:</u>				
Bond retirement fund	Other	550	976	426
<u>Capital project fund:</u>				
Building	Capital Outlay	1,757,863	2,061,429	303,566
<u>Special revenue funds:</u>				
Auxiliary services	Operation of non-instructional services	215,800	236,910	21,110
Drug free schools	Instruction-regular	1,725	2,193	468

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Contrary to Ohio Revised Code Section 5705.10, the auxiliary services special revenue fund and the building capital project fund had deficit balances of \$35,494 and \$1,158,346 respectively. Management has indicated that expenditures, budgets, and fund balances will be closely monitored to ensure no future violations.

Note 4 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

GAAP Basis	\$ (79,593)
Net Adjustment for Revenue Accruals	122,059
Net Adjustment for Expenditure Accruals	(119,260)
Adjustment for Encumbrances	51,641
Budget Basis	<u>\$ (25,153)</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.

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For the Fiscal Year Ended June 30, 2006

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

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

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

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

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

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

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

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

Undeposited Cash At year-end, the School District had \$850 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$139,929 and the bank balance was \$186,487, all of which was covered by Federal depository insurance (FDIC).

Investments

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the School District. During the year, the School District's only investment was in STAROhio. Ending Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006. This value as of June 30, 2006 was \$868,109.

Credit Risk – The School District's only investment at June 30, 2006 in STAROhio, which is rated AAAM by Standard & Poor's.

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

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 2006 represents collections of calendar year 2005 taxes. Real property tax revenue received in calendar year

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

2006 were levied after April 1, 2005, on the assessed valuation listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005 on the value as of December 31, 2004. 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, 2006, are available to finance fiscal year 2006 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, 2006 and for which there is an enforceable legal claim, and a delayed personal property settlement made in July. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred/unearned revenue, respectively.

The amounts available as an advance at June 30, 2006 and 2005 were \$1,144,918 and \$1,266,977 respectively in the general fund, \$124,459 and \$145,022 respectively in the bond retirement debt service fund, and \$31,145 and \$40,752 respectively in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

Independence Local School District
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	2005 Second - Half Collections		2006 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 472,651,150	87.37%	\$ 464,538,960	88.36%
Public Utility Personal	25,368,400	4.69%	20,241,990	3.85%
Tangible Personal Property	42,971,606	7.94%	40,970,389	7.79%
Total	\$ 540,991,156	100.00%	\$ 525,751,339	100.00%
 Tax Rate per \$1,000 of assessed valuation	\$ 26.00		\$ 31.50	

Note 7 - Receivables

Receivables at June 30, 2006, consisted of taxes, intergovernmental and interfund receivables (see Note 8). 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.

Note 8 - Interfund Balances

The account balances reported in the fund financial statements for “interfund receivable” and “interfund payable” as of June 30, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$900,968	\$0
Bond Retirement fund	142,711	0
Building fund	52,000	1,018,254
Permanent improvement fund	0	52,000
Nonmajor governmental funds	0	25,425
Total Governmental Funds	\$1,095,679	\$1,095,679

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. Included within the balances, are loans made from the general fund (\$891,968) and the bond retirement fund (\$142,711) to the auxiliary services special revenue fund in the amount of \$16,425 and to the building fund in the amount of \$1,018,254. These loans were made on a GAAP basis to offset unencumbered negative cash balances reported as of the end of fiscal year 2006. As of June 30, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

Independence Local School District
Notes to the Basic Financial Statements
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Note 9 - Interfund Transfers

During the fiscal year the general fund made transfers to three nonmajor governmental funds in the amount of \$39,950. The transfers were to the food service, uniform school supplies and district managed activities funds in the amounts of \$23,600, \$3,250, and \$13,100 respectively. These transfers were made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$ 147,099	\$ 0	\$ 0	\$ 147,099
<i>Total Capital Assets, nondepreciated</i>	<u>147,099</u>	<u>0</u>	<u>0</u>	<u>147,099</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	315,600	0	0	315,600
Building and Improvements	33,961,407	1,897,399	0	35,858,806
Furniture and Equipment	3,140,355	17,200	0	3,157,555
Vehicles	1,112,949	83,487	0	1,196,436
<i>Total Capital Assets, being depreciated</i>	<u>38,530,311</u>	<u>1,998,086</u>	<u>0</u>	<u>40,528,397</u>
Less Accumulated Depreciation				
Land Improvements	(149,201)	(13,867)	0	(163,068)
Building and Improvements	(2,342,236)	(716,867)	0	(3,059,103)
Furniture and Equipment	(2,273,568)	(194,472)	0	(2,468,040)
Vehicles	(758,909)	(63,976)	0	(822,885)
<i>Total Accumulated Depreciation</i>	<u>(5,523,914)</u>	<u>(989,182)</u>	<u>0</u>	<u>(6,513,096)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>33,006,397</u>	<u>1,008,904</u>	<u>0</u>	<u>34,015,301</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 33,153,496</u>	<u>\$ 1,008,904</u>	<u>\$ 0</u>	<u>\$ 34,162,400</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	191,990
Special		12,744
Support Services:		
Pupils		12,748
Instructional Staff		103,061
Administration		18,163
Fiscal		1,195
Operation and Maintenance of Plant		287,063
Pupil Transportation		62,834
Operation of Non-Instructional Services		10,866
Operation of Food services		54,845
Extracurricular Activities		233,673
Total Depreciation expense	\$	<u>989,182</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 2006, these risks were covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

B. Workers' Compensation

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

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

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C. Employee Health Benefits

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

Note 12 - Employee Benefits

A. Compensated Absences

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

B. Life Insurance

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

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57 percent of annual

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covered salary was the portion used to fund pension obligations. For fiscal year 2005, 9.09 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$223,553, \$223,745 and \$161,549 respectively. 67 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004, respectively. \$73,982 represents the unpaid contributions for fiscal year 2006, and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, 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.

Independence Local School District
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The School District's required contributions for pension obligations to the DB Plan for the fiscal ended June 30, 2006, 2005, and 2004 were \$874,337, \$1,097,256 and \$799,511 respectively. Fiscal year 2005 contribution included a \$212,557 payment as part of a July 1, 2003 seven-teacher buyout settlement. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,810 made by the School District and \$14,088 made by the plan members. 85 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004, respectively. \$132,529 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

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

C. Social Security System

Effective July 1, 1991, employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/ State Teachers Retirement System of Ohio. As of June 30, 2006, 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. The STRS Ohio Board currently allocates employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$67,257 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and

Independence Local School District
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beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount to fund health care benefits, including surcharge, during the 2006 fiscal year equaled \$72,544. The SERS surcharge is capped at 2 percent of the total qualifying payroll.

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

Note 15 - Long Term Obligations

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

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>				
School Improvement	2003	2.00 - 5.25%	\$ 17,860,000	December 1, 2030
Capital Appreciation	2003	14.4980	140,000	December 1, 2011
Notes Payable	2005	3.52%	1,500,000	December 1, 2008

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

A schedule of changes in bonds and other long-term obligations of the School District during fiscal year 2006 follows:

Independence Local School District
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	Amounts Outstanding 06/30/05	Additions	Reductions	Amounts Outstanding 06/30/06	Amounts Due in One Year
<i>General Obligation Bonds:</i>					
<i>School Improvement</i>					
Current Interest Serial Bonds	\$ 6,295,000	0	\$ 620,000	\$ 5,675,000	\$ 670,000
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	211,257	0	8,796	202,461	8,796
Accretion on Capital Appreciation Bonds	56,295	28,336	0	84,631	0
<i>Total General Obligation Bonds</i>	<u>17,607,552</u>	<u>28,336</u>	<u>628,796</u>	<u>17,007,092</u>	<u>678,796</u>
<i>Other Long-term Liabilities:</i>					
Notes Payable	1,500,000	0	0	1,500,000	0
Compensated Absences	1,564,915	149,703	27,586	1,687,032	62,000
<i>Total Other Long-term Liabilities</i>	<u>3,064,915</u>	<u>149,703</u>	<u>27,586</u>	<u>3,187,032</u>	<u>62,000</u>
<i>Total Governmental Long-term Obligations</i>	<u>\$ 20,672,467</u>	<u>\$178,039</u>	<u>\$ 656,382</u>	<u>\$ 20,194,124</u>	<u>\$ 740,796</u>

Compensated absences will be paid from the fund in which the employee is paid, which in prior years has primarily been the general fund. General obligation debt will be paid from the bond retirement debt service fund. Notes payable will be retired from the general fund with property settlements resulting from an emergency tax levy passed by the electors of the School District.

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

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

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

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

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

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

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

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

The capital appreciation bonds will mature on December 1, 2011. The maturity amount of the bonds is \$485,000. In fiscal year 2006, \$28,336 was accreted.

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2006, are as follows:

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 670,000	\$ 724,630	\$ 0	\$ 0	\$ 0	\$ 0
2008	430,000	712,220	0	0	0	0
2009	440,000	700,575	0	0	0	0
2010	450,000	686,430	0	0	0	0
2011	470,000	670,565	0	0	0	0
2012 - 2016	2,060,000	2,562,136	0	0	140,000	345,000
2017 - 2021	1,155,000	1,704,055	1,945,000	1,444,106	0	0
2022 - 2026	0	0	3,960,000	1,677,825	0	0
2027 - 2031	0	0	5,000,000	615,837	0	0
Totals	<u>\$ 5,675,000</u>	<u>\$ 7,760,611</u>	<u>\$ 10,905,000</u>	<u>\$ 3,737,768</u>	<u>\$ 140,000</u>	<u>\$ 345,000</u>

Note 16 - Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by sixteen school districts. The primary function of LNOCA is to provide data services to the sixteen school districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance, student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software package used. Independence Local School District paid \$13,602 to LNOCA during fiscal year 2006. 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 2006. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

Ohio Schools' Council The Ohio Schools' Council (OSC) is a jointly governed organization among ninety-one School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

its representation on the Board. In fiscal year 2006, the School District paid \$1,489 to the Council as a program fee. Financial information can be obtained by contacting David A. Cottrell, Executive Director, Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

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

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

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

Note 17 – Public Entity Risk Pools

A. Risk Sharing Pool

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

B. Insurance Purchasing Pool

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the Immediate Past President of the OASBO. The Executive Director of OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Liability Insurance

The School District contracted with the following companies for insurance: the Indiana Insurance Company for property, crime and inland marine, the Travelers Property Casualty for boiler and the Ohio Casualty Insurance Company for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$2,500 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$250 deductible. The boiler insurance coverage is \$30,000,000 per accident with a \$1,000 deductible and the employee dishonesty insurance has coverage up to \$255,000 with a \$1,000 deductible.

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

Note 18 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Note 19 - Set asides

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

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

Independence Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Textbook Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Cash Balance as of June 30, 2005	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2005	(1,255,398)	0
Current Year Set-aside Requirement	169,281	169,281
Qualifying Disbursements	<u>(337,472)</u>	<u>(325,536)</u>
Total	<u>(\$1,423,589)</u>	<u>(\$156,255)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,423,589)</u>	<u>\$0</u>

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

**Combining Statements and
Individual Fund Schedules**

Combining Statements-Nonmajor Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combining Statements-Nonmajor Funds (continued)

Nonmajor Special Revenue Fund

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

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

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

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

Nonmajor Capital Projects Fund

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

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

Independence Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 81,590	\$ 19	\$ 81,609
Inventory Held for Resale	5,765	0	5,765
Intergovernmental Receivable	8,104	0	8,104
<i>Total Assets</i>	<u>\$ 95,459</u>	<u>\$ 19</u>	<u>\$ 95,478</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 15,594	\$ 0	\$ 15,594
Accrued Wages	24,207	0	24,207
Interfund Payable	25,425	0	25,425
Intergovernmental Payable	11,432	0	11,432
Deferred Revenue	3,000	0	3,000
<i>Total Liabilities</i>	<u>79,658</u>	<u>0</u>	<u>79,658</u>
Fund Balances			
Reserved for Encumbrances	8,170	0	8,170
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	7,631	0	7,631
Capital Projects Funds	0	19	19
<i>Total Fund Balances (Deficit)</i>	<u>15,801</u>	<u>19</u>	<u>15,820</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 95,459</u>	<u>\$ 19</u>	<u>\$ 95,478</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, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ 332,882	\$ 0	\$ 332,882
Tuition and Fees	11,141	0	11,141
Extracurricular Activities	37,698	0	37,698
Gifts and Donations	5,506	0	5,506
Charges for Services	216,109	0	216,109
Miscellaneous	45,682	0	45,682
<i>Total Revenues</i>	<u>649,018</u>	<u>0</u>	<u>649,018</u>
Expenditures:			
Current:			
Instruction:			
Regular	35,115	0	35,115
Special	19,130	0	19,130
Support Services:			
Pupils	250	0	250
Instructional Staff	13,462	0	13,462
Business	29,021	0	29,021
Central	5,000	0	5,000
Operation of Non-Instructional Services	234,357	0	234,357
Food Service Operations	298,051	0	298,051
Extracurricular Activities	73,066	0	73,066
<i>Total Expenditures</i>	<u>707,452</u>	<u>0</u>	<u>707,452</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(58,434)	0	(58,434)
Other Financing Sources:			
Transfers In	39,950	0	39,950
<i>Net Change in Fund Balance</i>	(18,484)	0	(18,484)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>34,285</u>	<u>19</u>	<u>34,304</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 15,801</u>	<u>\$ 19</u>	<u>\$ 15,820</u>

Independence Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Food Service	Uniform School Supplies	Public School Support	Other Grants
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 429	\$ 29	\$ 25,059	\$ 11,453
Inventory Held for Resale	5,765	0	0	0
Intergovernmental Receivable	5,104	0	0	0
<i>Total Assets</i>	<u>\$ 11,298</u>	<u>\$ 29</u>	<u>\$ 25,059</u>	<u>\$ 11,453</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 168	\$ 0
Accrued Wages	15,396	0	0	0
Interfund Payable	0	800	0	0
Intergovernmental Payable	8,589	0	0	0
Deferred Revenue	0	0	0	0
<i>Total Liabilities</i>	<u>23,985</u>	<u>800</u>	<u>168</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	41	0	165	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(12,728)	(771)	24,726	11,453
<i>Total Fund Balances (Deficit)</i>	<u>(12,687)</u>	<u>(771)</u>	<u>24,891</u>	<u>11,453</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 11,298</u>	<u>\$ 29</u>	<u>\$ 25,059</u>	<u>\$ 11,453</u>

<u>District Managed Activities</u>	<u>Auxiliary Services</u>	<u>Educational Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>	<u>SchoolNet Professional Development</u>
\$ 2,645	\$ 0	\$ 0	\$ 130	\$ 10,792	\$ 5,178
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 2,645</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 10,792</u>	<u>\$ 5,178</u>
\$ 0	15,426	\$ 0	\$ 0	\$ 0	\$ 0
0	6,916	0	0	0	0
8,000	16,425	0	0	0	0
0	2,578	0	0	0	0
0	0	0	0	0	0
<u>8,000</u>	<u>41,345</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2,501	3,643	0	0	1,577	0
<u>(7,856)</u>	<u>(44,988)</u>	<u>0</u>	<u>130</u>	<u>9,215</u>	<u>5,178</u>
<u>(5,355)</u>	<u>(41,345)</u>	<u>0</u>	<u>130</u>	<u>10,792</u>	<u>5,178</u>
<u>\$ 2,645</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 10,792</u>	<u>\$ 5,178</u>

(continued)

Independence Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Student Intervention	Safe Schools Helpline	Title III Limited English Proficiency	Title I
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 14,429	\$ 3,300	\$ 26	\$ 48
Inventory Held for Resale	0	0	0	0
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>\$ 14,429</u>	<u>\$ 3,300</u>	<u>\$ 26</u>	<u>\$ 48</u>
Liabilities and Fund Balances				
Liabilities:				
Accrued Wages	\$ 0	\$ 0	\$ 0	\$ 0
Interfund Payable	0	0	0	0
Interfund Payable	0	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	0	0	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit):				
Reserved for Encumbrances	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	14,429	3,300	26	48
<i>Total Fund Balances (Deficit)</i>	<u>14,429</u>	<u>3,300</u>	<u>26</u>	<u>48</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 14,429</u>	<u>\$ 3,300</u>	<u>\$ 26</u>	<u>\$ 48</u>

Title V	Drug Free Schools	Title II-A	Technology Literacy Challenge Grant	Total Nonmajor Special Revenue Funds
\$ 0	\$ 244	\$ 7,828	\$ 0	\$ 81,590
0	0	0	0	5,765
0	0	0	3,000	8,104
<u>\$ 0</u>	<u>\$ 244</u>	<u>\$ 7,828</u>	<u>\$ 3,000</u>	<u>\$ 95,459</u>

\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,594
0	0	1,895	0	24,207
200	0	0	0	25,425
0	0	265	0	11,432
0	0	0	3,000	3,000

<u>200</u>	<u>0</u>	<u>2,160</u>	<u>3,000</u>	<u>79,658</u>
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0	243	0	0	8,170
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<u>(200)</u>	<u>1</u>	<u>5,668</u>	<u>0</u>	<u>7,631</u>
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<u>(200)</u>	<u>244</u>	<u>5,668</u>	<u>0</u>	<u>15,801</u>
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<u>\$ 0</u>	<u>\$ 244</u>	<u>\$ 7,828</u>	<u>\$ 3,000</u>	<u>\$ 95,459</u>
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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, 2006

	Food Service	Uniform School Supplies	Public School Support	Other Grants
Revenues:				
Intergovernmental	\$ 59,196	\$ 0	\$ 0	\$ 900
Tuition and Fees	0	10,544	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	216,109	0	0	0
Miscellaneous	2,270	0	30,247	0
<i>Total Revenues</i>	<u>277,575</u>	<u>10,544</u>	<u>30,247</u>	<u>900</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	14,206	0	0
Special	0	0	0	0
Support Services:				
Pupils	0	0	0	0
Instructional Staff	0	0	0	0
Business	0	0	29,021	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	298,051	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>298,051</u>	<u>14,206</u>	<u>29,021</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(20,476)	(3,662)	1,226	900
Other Financing Sources:				
Transfers In	23,600	3,250	0	0
<i>Net Change in Fund Balance</i>	3,124	(412)	1,226	900
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(15,811)</u>	<u>(359)</u>	<u>23,665</u>	<u>10,553</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (12,687)</u>	<u>\$ (771)</u>	<u>\$ 24,891</u>	<u>\$ 11,453</u>

District Managed Activities	Auxiliary Services	Educational Management Information Systems	Entry Year Programs	Data Communications
\$ 0	\$ 224,797	\$ 5,000	\$ 0	\$ 9,000
597	0	0	0	0
37,698	0	0	0	0
5,506	0	0	0	0
0	0	0	0	0
13,036	0	0	0	0
<u>56,837</u>	<u>224,797</u>	<u>5,000</u>	<u>0</u>	<u>9,000</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	7,423
0	0	0	0	0
0	0	5,000	0	0
0	234,357	0	0	0
0	0	0	0	0
73,066	0	0	0	0
<u>73,066</u>	<u>234,357</u>	<u>5,000</u>	<u>0</u>	<u>7,423</u>
(16,229)	(9,560)	0	0	1,577
<u>13,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(3,129)	(9,560)	0	0	1,577
<u>(2,226)</u>	<u>(31,785)</u>	<u>0</u>	<u>130</u>	<u>9,215</u>
<u>\$ (5,355)</u>	<u>\$ (41,345)</u>	<u>\$ 0</u>	<u>\$ 130</u>	<u>\$ 10,792</u>

(continued)

Independence Local School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2006

	SchoolNet Professional Development	Student Intervention	Safe Schools Helpline	Title III Limited English Proficiency
Revenues:				
Intergovernmental	\$ 3,200	\$ 3,933	\$ 0	\$ 722
Tuition and Fees	0	0	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>3,200</u>	<u>3,933</u>	<u>0</u>	<u>722</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	1,438	0	0
Special	0	0	0	696
Support Services:				
Pupils	0	0	0	0
Instructional Staff	5,919	0	0	0
Business	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0
Food Service Operations	0	0	0	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>5,919</u>	<u>1,438</u>	<u>0</u>	<u>696</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,719)	2,495	0	26
Other Financing Sources:				
Transfers In	0	0	0	0
<i>Net Change in Fund Balance</i>	(2,719)	2,495	0	26
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>7,897</u>	<u>11,934</u>	<u>3,300</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 5,178</u>	<u>\$ 14,429</u>	<u>\$ 3,300</u>	<u>\$ 26</u>

Title I	Title V	Drug Free Schools	Title II-A	Technology Literacy Challenge Grant	Total Nonmajor Special Revenue Funds
\$ 0	\$ 4,040	\$ 2,807	\$ 16,287	\$ 3,000	\$ 332,882
0	0	0	0	0	11,141
0	0	0	0	0	37,698
0	0	0	0	0	5,506
0	0	0	0	0	216,109
0	0	0	0	129	45,682
0	4,040	2,807	16,287	3,129	649,018
0	0	2,193	400	16,878	35,115
0	4,040	0	14,394	0	19,130
0	0	250	0	0	250
0	0	120	0	0	13,462
0	0	0	0	0	29,021
0	0	0	0	0	5,000
0	0	0	0	0	234,357
0	0	0	0	0	298,051
0	0	0	0	0	73,066
0	4,040	2,563	14,794	16,878	707,452
0	0	244	1,493	(13,749)	(58,434)
0	0	0	0	0	39,950
0	0	244	1,493	(13,749)	(18,484)
48	(200)	0	4,175	13,749	34,285
\$ 48	\$ (200)	\$ 244	\$ 5,668	\$ 0	\$ 15,801

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

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 10,747,799	\$ 11,306,604	\$ 558,805
Intergovernmental	1,492,358	1,671,723	179,365
Interest	46,000	55,083	9,083
Tuition and Fees	75,150	73,414	(1,736)
Rentals	18,000	21,825	3,825
Extracurricular Activities	45,400	21,813	(23,587)
Gifts and Donations	11,500	180	(11,320)
Miscellaneous	12,000	92,516	80,516
<i>Total Revenues</i>	<u>12,448,207</u>	<u>13,243,158</u>	<u>794,951</u>
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	4,860,587	4,823,748	36,839
Fringe Benefits	1,542,836	1,588,246	(45,410)
Purchased Services	42,676	40,149	2,527
Materials and Supplies	156,732	138,682	18,050
Capital Outlay	0	308	(308)
Other	1,512	435	1,077
Total Regular	<u>6,604,343</u>	<u>6,591,568</u>	<u>12,775</u>
Special:			
Salaries and Wages	74,568	86,642	(12,074)
Fringe Benefits	19,031	18,745	286
Purchased Services	109,163	74,271	34,892
Materials and Supplies	10,240	9,423	817
Capital Outlay	1,200	0	1,200
Total Special	<u>214,202</u>	<u>189,081</u>	<u>25,121</u>
Other:			
Purchased Services	<u>574,931</u>	<u>461,580</u>	<u>113,351</u>
Total Instruction	<u>7,393,476</u>	<u>7,242,229</u>	<u>151,247</u> (continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Support Services:			
Pupils:			
Salaries and Wages	\$ 365,060	\$ 353,027	\$ 12,033
Fringe Benefits	112,133	110,795	1,338
Purchased Services	158,119	102,418	55,701
Materials and Supplies	23,536	17,433	6,103
Total Pupils	658,848	583,673	75,175
Instructional Staff:			
Salaries and Wages	579,900	613,949	(34,049)
Fringe Benefits	249,271	264,225	(14,954)
Purchased Services	204,748	230,118	(25,370)
Materials and Supplies	27,146	18,280	8,866
Other	250	149	101
Capital Outlay	0	745	(745)
Total Instructional Staff	1,061,315	1,127,466	(66,151)
Board of Education:			
Salaries and Wages	12,000	9,955	2,045
Fringe Benefits	1,875	1,538	337
Purchased Services	98,550	81,026	17,524
Materials and Supplies	3,164	3,689	(525)
Other	33,000	30,592	2,408
Total Board of Education	148,589	126,800	21,789
Administration:			
Salaries and Wages	639,688	637,534	2,154
Fringe Benefits	267,796	272,631	(4,835)
Purchased Services	10,475	7,937	2,538
Materials and Supplies	11,048	9,861	1,187
Other	11,517	9,151	2,366
Total Administration	940,524	937,114	3,410
Fiscal:			
Salaries and Wages	158,350	167,464	(9,114)
Fringe Benefits	60,934	56,841	4,093
Purchased Services	12,750	6,968	5,782
Materials and Supplies	4,000	3,170	830
Other	134,000	223,723	(89,723)
Capital Outlay	1,500	0	1,500
Total Fiscal	371,534	458,166	(86,632)

(continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Business:			
Purchased Services	\$ 170,432	\$ 145,538	\$ 24,894
Materials and Supplies	16,588	24,237	(7,649)
Total Business	187,020	169,775	17,245
Operation and Maintenance of Plant:			
Salaries and Wages	447,470	462,378	(14,908)
Fringe Benefits	153,785	177,929	(24,144)
Purchased Services	656,937	781,928	(124,991)
Materials and Supplies	60,613	79,344	(18,731)
Total Operation and Maintenance of Plant	1,318,805	1,501,579	(182,774)
Pupil Transportation:			
Salaries and Wages	299,855	344,296	(44,441)
Fringe Benefits	78,504	98,350	(19,846)
Purchased Services	89,592	75,071	14,521
Materials and Supplies	82,651	118,878	(36,227)
Other	20	20	0
Total Pupil Transportation	550,622	636,615	(85,993)
Total Support Services	5,237,257	5,541,188	(303,931)
Operation of Non-Instructional Services:			
Fringe Benefits	175	350	(175)
Extracurricular Activities:			
Academic Oriented Activities			
Salaries and Wages	31,250	68,472	(37,222)
Fringe Benefits	4,460	9,377	(4,917)
Other	2,600	2,550	50
Total Academic Oriented Activities	38,310	80,399	(42,089)
Sports Oriented Activities:			
Salaries and Wages	234,350	260,837	(26,487)
Fringe Benefits	32,425	40,035	(7,610)
Purchased Services	12,000	12,623	(623)
Materials and Supplies	1,000	0	1,000
Other	2,250	0	2,250
Total Sports Oriented Activities	282,025	313,495	(31,470)
Total Extracurricular Activities	320,335	393,894	(73,559)

(continued)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt Service:			
Interest and Fiscal Charges	\$ 79,200	\$ 52,800	26,400
Total Debt Service	79,200	52,800	26,400
<i>Total Expenditures</i>	13,030,443	13,230,461	(200,018)
<i>Excess of Revenues Over (Under) Expenditures</i>	(582,236)	12,697	594,933
Other Financing Uses:			
Transfers Out	(50,000)	(37,850)	12,150
Advances Out	(28,000)	0	28,000
<i>Total Other Financing Uses</i>	(78,000)	(37,850)	40,150
<i>Net Change in Fund Balance</i>	(660,236)	(25,153)	635,083
<i>Fund Balance (Deficit) at Beginning of Year</i>	690,263	690,263	0
Prior Year Encumbrances Appropriated	175,770	175,770	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 205,797	\$ 840,880	\$ 635,083

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 1,215,413	\$ 1,290,817	\$ 75,404
Intergovernmental	116,181	116,181	0
<i>Total Revenues</i>	<u>1,331,594</u>	<u>1,406,998</u>	<u>75,404</u>
Expenditures:			
Current:			
Fiscal:			
Other	550	976	(426)
Debt Service:			
Principal Retirement	620,000	620,000	0
Interest and Fiscal Charges	793,665	744,765	48,900
Total Debt Service	<u>1,413,665</u>	<u>1,364,765</u>	<u>48,900</u>
<i>Total Expenditures</i>	<u>1,414,215</u>	<u>1,365,741</u>	<u>48,474</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(82,621)</u>	<u>41,257</u>	<u>123,878</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	0	47,830	47,830
<i>Net Change in Fund Balance</i>	(82,621)	89,087	171,708
<i>Fund Balance Beginning of Year</i>	<u>727,646</u>	<u>727,646</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 645,025</u>	<u>\$ 816,733</u>	<u>\$ 171,708</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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$ 366,760	\$ 373,623	\$ 6,863
Intergovernmental	38,681	75,489	36,808
Interest	0	2,467	2,467
Miscellaneous	108,101	108,101	0
<i>Total Revenues</i>	<u>513,542</u>	<u>559,680</u>	<u>46,138</u>
Expenditures:			
Current:			
Instruction:			
Regular:			
Capital Outlay	11,500	9,649	1,851
Total Instruction	11,500	9,649	1,851
Support Services:			
Instructional Staff:			
Capital Outlay	132,821	107,964	24,857
Fiscal:			
Other	400	283	117
Operation and Maintenance of Plant:			
Purchased Services	112,330	95,946	16,384
Capital Outlay	37,066	28,489	8,577
Total Operation and Maintenance of Plant	149,396	124,435	24,961
Pupil Transportation:			
Capital Outlay	88,000	83,487	4,513
Total Pupil Transportation	88,000	83,487	4,513
Total Support Services	370,617	316,169	54,448
Debt Service:			
Debt Issuance Costs	122,352	122,352	0
<i>Total Expenditures</i>	<u>504,469</u>	<u>448,170</u>	<u>56,299</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,073</u>	<u>111,510</u>	<u>102,437</u>
<i>Net Change in Fund Balance</i>	9,073	111,510	102,437
<i>Fund Balance Beginning of Year</i>	(9,074)	(9,074)	0
Prior Year Encumbrances Appropriated	15,815	15,815	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 15,814</u>	<u>\$ 118,251</u>	<u>\$ 102,437</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Building Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,806,187	\$ 679,202	\$ (1,126,985)
Expenditures:			
Capital Outlay:			
Architecture and Engineering Services:			
Purchased Services	0	163,474	(163,474)
Building Acquisition and Construction Services:			
Capital Outlay	1,805,693	1,734,481	71,212
Total Capital Outlay	1,805,693	1,897,955	(92,262)
<i>Total Expenditures</i>	1,805,693	1,897,955	(92,262)
<i>Excess of Revenues Over (Under) Expenditures</i>	494	(1,218,753)	(1,219,247)
Other Financing Sources (Uses):			
Refund of Prior Year Receipts	0	(47,830)	(47,830)
<i>Total Other Financing Sources (Uses)</i>	0	(47,830)	(47,830)
<i>Net Change in Fund Balance</i>	494	(1,266,583)	(1,267,077)
<i>Fund Balance (Deficit) at Beginning of Year</i>	101,188	101,188	0
Prior Year Encumbrances Appropriated	7,050	7,050	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 108,732	\$ (1,158,345)	\$ (1,267,077)

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 32,600	\$ 34,024	\$ 1,424
Customer Sales and Services	271,900	216,109	(55,791)
Miscellaneous	500	2,270	1,770
<i>Total Revenues</i>	<u>305,000</u>	<u>252,403</u>	<u>(52,597)</u>
Expenditures:			
Current:			
Food Service Operations:			
Salaries	115,120	115,219	(99)
Fringe Benefits	29,237	29,531	(294)
Purchased Services	2,750	4,760	(2,010)
Materials and Supplies	157,350	126,374	30,976
Capital Outlay	500	0	500
<i>Total Food Service Operations</i>	<u>304,957</u>	<u>275,884</u>	<u>29,073</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>43</u>	<u>(23,481)</u>	<u>(23,524)</u>
Other Financing Sources (Uses):			
Transfers In	0	23,600	23,600
<i>Net Change in Fund Balance</i>	43	119	76
<i>Fund Balance Beginning of Year</i>	(35)	(35)	0
Prior Year Encumbrances Appropriated	305	305	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 313</u>	<u>\$ 389</u>	<u>\$ 76</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Uniform School Supplies Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Tuition and Fees	\$ 17,940	\$ 10,544	\$ (7,396)
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	20,440	14,206	6,234
<i>Total Expenditures</i>	20,440	14,206	6,234
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,500)	(3,662)	(1,162)
Other Financing Sources (Uses):			
Transfers In	2,060	3,250	1,190
<i>Net Change in Fund Balance</i>	(440)	(412)	28
<i>Fund Balance Beginning of Year</i>	441	441	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1	\$ 29	\$ 28

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Miscellaneous	\$ 20,000	\$ 30,247	\$ 10,247
Expenditures:			
Current:			
Support Services:			
Business:			
Other	40,057	29,186	10,871
<i>Net Change in Fund Balance</i>	(20,057)	1,061	21,118
<i>Fund Balance Beginning of Year</i>	20,057	20,057	0
Prior Year Encumbrances Appropriated	3,608	3,608	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,608</u>	<u>\$ 24,726</u>	<u>\$ 21,118</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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,000	\$ 900	\$ (100)
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	720	0	720
Other	1,000	0	1,000
Total Regular	<u>1,720</u>	<u>0</u>	<u>1,720</u>
Total Instruction	<u>1,720</u>	<u>0</u>	<u>1,720</u>
Support Services:			
Instructional Staff:			
Materials and Supplies	<u>1,500</u>	<u>0</u>	<u>1,500</u>
Total Expenditures	<u>3,220</u>	<u>0</u>	<u>3,220</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,220)</u>	<u>900</u>	<u>3,120</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Net Change in Fund Balance	(5,220)	900	6,120
Fund Balance Beginning of Year	<u>10,553</u>	<u>10,553</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$ 5,333</u>	<u>\$ 11,453</u>	<u>\$ 6,120</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 District Managed Activities Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 400	\$ 0	\$ (400)
Intergovernmental	18,616	0	(18,616)
Tuition and Fees	3,650	597	(3,053)
Extracurricular Activities	36,400	37,698	1,298
Gifts and Donations	11,100	5,506	(5,594)
Miscellaneous	12,000	13,036	1,036
<i>Total Revenues</i>	<u>82,166</u>	<u>56,837</u>	<u>(25,329)</u>
Expenditures:			
Current:			
Extracurricular Activities:			
Purchased Services	37,850	22,265	15,585
Materials and Supplies	41,150	50,044	(8,894)
Other	4,000	3,258	742
<i>Total Expenditures</i>	<u>83,000</u>	<u>75,567</u>	<u>7,433</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(834)</u>	<u>(18,730)</u>	<u>(17,896)</u>
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>13,100</u>	<u>13,100</u>
<i>Net Change in Fund Balance</i>	(834)	(5,630)	(4,796)
<i>Fund Balance Beginning of Year</i>	834	834	0
Prior Year Encumbrances Appropriated	<u>4,940</u>	<u>4,940</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,940</u>	<u>\$ 144</u>	<u>\$ (4,796)</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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 248,377	\$ 224,797	\$ (23,580)
Interest	25	0	(25)
<i>Total Revenues</i>	<u>248,402</u>	<u>224,797</u>	<u>(23,605)</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services:			
Community Services:			
Salaries	41,144	45,165	(4,021)
Fringe Benefits	7,693	8,905	(1,212)
Purchased Services	13,760	933	12,827
Materials and Supplies	144,211	172,915	(28,704)
Other	8,992	8,992	0
<i>Total Expenditures</i>	<u>215,800</u>	<u>236,910</u>	<u>(21,110)</u>
<i>Net Change in Fund Balance</i>	32,602	(12,113)	(44,715)
<i>Fund Balance Beginning of Year</i>	(32,592)	(32,592)	0
Prior Year Encumbrances Appropriated	<u>9,211</u>	<u>9,211</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 9,221</u>	<u>\$ (35,494)</u>	<u>\$ (44,715)</u>

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Education Management Info System Fund
 For the Fiscal Year Ended June 30, 2006*

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

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Entry Year Programs Fund
 For the Fiscal Year Ended June 30, 2006*

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

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Data Communication Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 9,000	\$ 9,000	\$ 0
Expenditures:			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	5,500	7,507	(2,007)
Capital Outlay	3,500	1,493	2,007
<i>Total Expenditures</i>	9,000	9,000	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	9,215	9,215	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 9,215	\$ 9,215	\$ 0

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 SchoolNet Professional Development Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 3,000	\$ 3,200	\$ 200
Expenditures:			
Current:			
Support Services:			
Instructional Staff:			
Salaries	2,000	1,530	470
Purchased Services	4,688	4,389	299
<i>Total Expenditures</i>	6,688	5,919	769
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,688)	(2,719)	969
<i>Net Change in Fund Balance</i>	(3,688)	(2,719)	969
<i>Fund Balance Beginning of Year</i>	7,897	7,897	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 4,209	\$ 5,178	\$ 969

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Summer Intervention Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 12,000	\$ 3,933	\$ (8,067)
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	18,395	3,247	15,148
Fringe Benefits	850	493	357
Purchased Services	1,150	0	1,150
Materials and Supplies	5,810	780	5,030
<i>Total Expenditures</i>	26,205	4,520	21,685
<i>Net Change in Fund Balance</i>	(14,205)	(587)	13,618
<i>Fund Balance Beginning of Year</i>	14,206	14,206	0
Prior Year Encumbrances Appropriated	810	810	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 811	\$ 14,429	\$ 13,618

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,100	\$ 0	\$ (1,100)
Expenditures:			
Current:			
Support Services:			
Pupils:			
Purchased Services	4,300	0	4,300
<i>Total Expenditures</i>	4,300	0	4,300
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,200)	0	3,200
<i>Net Change in Fund Balance</i>	(3,200)	0	3,200
<i>Fund Balance Beginning of Year</i>	3,300	3,300	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 100	\$ 3,300	\$ 3,200

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Title III - Limited English Proficiency Fund
 For the Fiscal Year Ended June 30, 200*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 696	\$ 722	\$ 26
Expenditures:			
Current:			
Instruction:			
Special:			
Salaries	696	696	0
<i>Total Expenditures</i>	696	696	0
<i>Excess of Revenues Over (Under) Expenditures</i>	0	26	26
<i>Net Change in Fund Balance</i>	0	26	26
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 0	\$ 26	\$ 26

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, 2006*

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

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 4,100	\$ 4,040	\$ (60)
Expenditures:			
Current:			
Instruction:			
Special:			
Salaries	3,690	3,190	500
Fringe Benefits	410	850	(440)
Total Expenditures	4,100	4,040	60
Excess of Revenues Over (Under) Expenditures	0	0	0
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	0	0	0
Fund Balance (Deficit) at End of Year	\$ 0	\$ 0	\$ 0

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 2,600	\$ 2,807	\$ 207
Expenditures:			
Current:			
Instruction:			
Regular:			
Materials and Supplies	1,725	2,193	(468)
Support Services:			
Pupils			
Purchased Services	250	250	0
Instructional Staff			
Purchased Services	625	363	262
Total Support Services:	875	613	262
<i>Total Expenditures</i>	2,600	2,806	(206)
<i>Excess of Revenues Over (Under) Expenditures</i>	0	1	1
<i>Net Change in Fund Balance</i>	0	1	1
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 0	\$ 1	\$ 1

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, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 16,099	\$ 16,287	\$ 188
Expenditures:			
Current:			
Instruction:			
Regular:			
Purchased Services	2,500	400	2,100
Special:			
Salaries	13,426	12,479	947
Fringe Benefits	2,719	1,928	791
Total Special	16,145	14,407	1,738
<i>Total Expenditures</i>	18,645	14,807	3,838
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,546)	1,480	4,026
Other Financing Sources (Uses):			
Refund of Prior Year Receipts	(129)	(129)	0
<i>Net Change in Fund Balance</i>	(2,546)	1,351	4,026
<i>Fund Balance Beginning of Year</i>	6,348	6,348	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 3,802	\$ 7,699	\$ 3,897

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Technology Literacy Challenge Grant Fund
 For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 13,878	\$ 3,000	\$ (10,878)
Expenditures:			
Current:			
Instruction:			
Regular:			
Salaries	2,999	2,999	0
Materials and Supplies	3,878	0	3,878
Capital Outlay	10,129	13,879	(3,750)
<i>Total Expenditures</i>	17,006	16,878	128
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,128)	(13,878)	(10,750)
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	129	129	0
<i>Net Change in Fund Balance</i>	(3,128)	(13,749)	(10,750)
<i>Fund Balance Beginning of Year</i>	13,878	13,878	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 10,750	\$ 129	\$ (10,621)

Independence Local School District
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 School Net Plus Fund
 For the Fiscal Year Ended June 30, 2006*

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

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

Combining Statements

Agency Funds

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

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

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

Independence Local School District
Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2006

	District Agency	Student Managed Activities	Total Agency Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 439	\$ 174,011	\$ 174,450
<i>Total Assets</i>	\$ 439	\$ 174,011	\$ 174,450
 <u>Liabilities:</u>			
Due to Students	\$ 0	\$ 174,011	\$ 174,011
Undistributed Monies	439	0	439
<i>Total Liabilities</i>	\$ 439	\$ 174,011	\$ 174,450

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Independence Local School District
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006

	<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/06</u>
District Agency				
Assets				
Equity in Pooled Cash and Investments	\$ 0	\$ 16,956	\$ 16,517	\$ 439
Liabilities				
Undistributed Monies	\$ 0	\$ 16,956	\$ 16,517	\$ 439
Student Managed Activities				
Assets				
Equity in Pooled Cash and Investments	\$ 136,473	\$ 289,851	\$ 252,313	\$ 174,011
Liabilities				
Due to Students	\$ 136,473	\$ 289,851	\$ 252,313	\$ 174,011
Total - All Agency Funds				
Assets				
Equity in Pooled Cash and Investments	\$ 136,473	\$ 306,807	\$ 268,830	\$ 174,450
Liabilities				
Undistributed Monies	\$ 0	\$ 16,956	\$ 16,517	\$ 439
Due to Students	136,473	289,851	252,313	174,011
<i>Total Liabilities</i>	<u>\$ 136,473</u>	<u>\$ 306,807</u>	<u>\$ 268,830</u>	<u>\$ 174,450</u>

Statistical Section

Statistical Section

This part of the Independence Local School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	S-2 - S-7
Revenue Capacity These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.	S-8 - S-10
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S-11 - S-15
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place.	S-16 - S-18
Operating Information These schedules contain service data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S-19 - S-22

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year. The School District implemented GASB Statement No. 34 in 2000; schedules presenting government-wide information include information beginning in that fiscal year.

Independence Local School District
Net Assets by Component
Last Five Years
(Accrual Basis of Accounting)

	2006	2005	2004	2003	2002
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 17,438,504	\$ 15,809,432	\$ 4,523,823	\$ 4,070,178	\$ 4,003,265
Restricted	1,140,983	1,196,024	795,784	316,461	400,572
Unrestricted	(2,641,110)	(1,332,568)	2,430,109	(2,532,212)	469,385
Total Governmental Activities Net Assets	<u>\$ 15,938,377</u>	<u>\$ 15,672,888</u>	<u>\$ 7,749,716</u>	<u>\$ 1,854,427</u>	<u>\$ 4,873,222</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 17,438,504	\$ 15,809,432	\$ 4,523,823	\$ 4,070,178	\$ 4,003,265
Restricted	1,140,983	1,196,024	795,784	316,461	400,572
Unrestricted	(2,641,110)	(1,332,568)	2,430,109	(2,532,212)	469,385
Total Primary Government Net Assets	<u>\$ 15,938,377</u>	<u>\$ 15,672,888</u>	<u>\$ 7,749,716</u>	<u>\$ 1,854,427</u>	<u>\$ 4,873,222</u>

Independence Local School District

*Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)*

	2006	2005	2004	2003	2002
Primary Government:					
<u>Expenses:</u>					
Governmental Activities:					
Instruction:					
Regular	\$ 6,873,052	\$ 6,233,958	\$ 7,580,254	\$ 7,675,858	\$ 6,284,176
Special	232,624	437,155	851,836	778,116	893,410
Vocational	0	0	0	0	2,550
Other	461,580	243,741	0	0	0
Support Services:					
Pupils	604,480	606,487	713,694	620,327	615,321
Instructional Staff	1,353,490	1,004,526	1,259,504	1,126,489	765,771
Board of Education	126,299	169,425	126,942	146,266	131,076
Administration	973,149	884,731	1,009,517	889,121	957,728
Fiscal	460,171	393,534	524,616	462,864	389,270
Business	198,752	147,554	199,691	178,572	85,168
Operation and Maintenance of Plant	1,895,616	1,357,364	1,421,639	1,334,835	1,029,538
Pupil Transportation	703,961	533,786	679,183	764,287	578,585
Central	5,000	5,000	5,734	4,993	6,125
Operation of Non-Instructional Services	244,312	234,708	205,301	275,967	191,545
Food Services	355,653	275,267	325,792	322,359	288,615
Extracurricular Activities	711,632	491,140	474,723	525,501	456,313
Interest and Fiscal Charges	947,068	869,431	767,836	715,449	8,094
Total Governmental Activities Expenses	\$ 16,146,839	\$ 13,887,807	\$ 16,146,262	\$ 15,821,004	\$ 12,683,285
<u>Program Revenues:</u>					
Governmental Activities:					
<i>Charges for Services:</i>					
Instruction:					
Regular	\$ 15,944	\$ 82,770	\$ 57,332	\$ 40,860	\$ 40,912
Special	8,275	2,150	0	0	0
Support Services:					
Business	0	0	22,159	19,908	21,172
Operation and Maintenance of Plant	21,825	18,585	8,590	8,031	13,362
Operation of Non-Instructional Services	0	3,262	0	0	0
Food Service Operations	216,109	209,889	208,028	213,658	199,229
Extracurricular Activities	125,353	143,141	36,053	32,767	32,820
<i>Operating Grants and Contributions</i>					
Instruction:					
Regular	14,727	27,713	19,919	6,436	5,602
Special	19,639	21,068	20,949	58,161	38,202
Vocational	0	0	0	0	3,265
Support Services:					
Pupils	0	1,094	6,524	2,028	2,512
Instructional Staff	12,650	11,925	11,925	30,045	23,317
Pupil transportation	373,561	0	0	0	0
Central	5,000	5,000	5,000	5,000	5,000
Operation of Non-Instructional Services	224,797	190,543	200,981	214,697	223,300
Food Service Operations	59,196	55,369	54,627	45,740	32,600
Extracurricular Activities	305,641	22,982	5,601	1,170	8,529
<i>Capital Grants and Contributions</i>					
Instruction:					
Regular	0	0	0	10,000	0
Support Services:					
Instructional Staff	0	9,450	0	14,387	0
Pupil Transportation	0	0	0	14,385	15,096
Total Governmental Activities Program Revenues	1,402,717	804,941	657,688	717,273	664,918
<u>General Revenues and Other Changes in Net Assets</u>					
Governmental Activities:					
Property and Other Local Taxes Levied For:					
General Purposes	11,174,194	9,519,524	10,800,199	8,929,728	9,977,545
Debt Service	1,262,377	1,351,582	1,224,180	593,162	0
Capital Outlay	357,917	366,698	374,668	346,602	385,775
Grants and Entitlements not Restricted to Specific Programs					
Investment Earnings	1,863,393	7,458,201	8,794,973	1,707,455	1,685,801
Gain on the Sale of Capital Assets	57,550	67,356	158,518	462,928	145,816
Miscellaneous	0	1,945,617	0	0	0
Total Governmental Activities	294,180	297,041	31,325	45,333	15,047
Total Governmental Activities	15,009,611	21,006,019	21,383,863	12,085,208	12,209,984
<u>Change in Net Assets:</u>					
Governmental Activities	\$ 265,489	\$ 7,923,153	\$ 5,895,289	\$ (3,018,523)	\$ 191,617

Independence Local School District
Fund Balance, Governmental Funds
Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)

<u>General Fund</u>				
	<u>Fiscal Year Ended June 30, 2006</u>	<u>Fiscal Year Ended June 30, 2005</u>	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>
Fund balance, unreserved	\$ (492,697)	\$ (673,087)	\$ (1,353,657)	\$ (776,069)
Fund balance, reserved	1,162,894	1,422,877	1,428,902	704,505
Total fund balance	<u>\$ 670,197</u>	<u>749,790</u>	<u>75,245</u>	<u>\$ (71,564)</u>
 <u>All Other Governmental Funds</u>				
	<u>Fiscal Year Ended June 30, 2006</u>	<u>Fiscal Year Ended June 30, 2005</u>	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>
Fund balance, unreserved reported in:				
Special revenue funds	\$ 7,631	\$ 15,716	\$ 16,213	\$ (17,025)
Debt service funds	768,904	679,817	485,623	288,661
Capital project funds	(1,083,951)	138,388	(7,236,393)	11,611,224
Fund balance, reserved	256,037	227,208	10,542,801	2,351,018
Total fund balance	<u>\$ (51,379)</u>	<u>1,061,129</u>	<u>3,808,244</u>	<u>\$ 14,233,878</u>

Source: FY1999 - FY2006 Service Center Audit Reports. FY1997-1998 audit reports are not available.

NOTE: The general fund has been redefined with additional activities being classified as "general fund" operations with the implementation of GASB Statement No. 34, beginning with the fiscal year ended June 30, 2002.

(1) Classification change with the implementation of GASB Statement No. 34, beginning with the fiscal year ended June 30, 2002. As of this fiscal year, reclassified as Special Revenue funds.

<i>(1) Fiscal Year Ended</i> June 30, 2002	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999
\$ 71,123	\$ 749,509	\$ 2,250,492	\$ 231,635
1,637,929	792,682	580,938	1,268,127
<u>1,709,052</u>	<u>1,542,191</u>	<u>2,831,430</u>	<u>1,499,762</u>

Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999
\$ 38,409	\$ 26,074	\$ 100,971	\$ 106,903
0	0	0	0
69,555	(25,617)	(1,255,251)	37,908
100,616	119,902	1,344,670	239,576
<u>\$ 208,580</u>	<u>\$ 120,359</u>	<u>\$ 190,390</u>	<u>\$ 384,387</u>

Independence Local School District
General Governmental Revenues by Source and Expenditures by Function
Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Revenues:				
Property and Other Local Taxes	\$ 12,818,815	\$ 10,757,751	\$ 12,011,629	\$ 9,675,766
Intergovernmental	2,875,477	7,771,339	9,118,180	2,108,970
Interest	57,550	67,384	158,518	462,928
Tuition and fees	84,555	87,967	43,024	27,349
Extracurricular Activities	59,511	143,356	57,659	52,675
Rentals	21,825	5,449	8,590	8,031
Gifts and donations	5,686	46,548	0	1,170
Charges for services	216,109	209,889	222,336	227,169
Miscellaneous	294,129	298,052	37,457	45,333
Total revenues	<u>\$ 16,433,657</u>	<u>\$ 19,387,735</u>	<u>\$ 21,657,393</u>	<u>\$ 12,609,391</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 6,609,835	\$ 6,620,542	\$ 6,333,873	\$ 6,126,018
Special	214,552	439,493	730,687	773,889
Other	461,580	243,741	0	0
Support services:				
Pupils	585,830	567,065	606,069	601,422
Instructional staff	1,243,581	1,116,417	1,008,172	1,008,056
Board of Education	126,299	169,425	109,751	146,266
Administration	942,256	924,469	837,287	875,397
Fiscal	462,305	362,530	455,285	450,654
Business	198,752	147,554	172,926	178,572
Operation and maintenance of plant	1,571,469	1,356,551	1,200,918	1,186,546
Pupil transportation	719,164	486,386	634,992	658,091
Central	5,000	5,000	5,000	4,993
Operation of Non-Instructional Services	234,357	226,667	184,372	271,352
Food Service Operations	298,401	274,492	312,978	314,847
Extracurricular activities	468,807	395,092	456,235	477,655
Capital outlay	1,943,653	10,309,525	17,959,475	4,647,606
Debt service:				
Debt issuance costs	0	0	0	228,763
Principal retirement	626,900	490,000	170,000	0
Interest and fiscal charges	913,017	825,374	758,198	647,868
Total expenditures	<u>\$ 17,625,758</u>	<u>\$ 24,960,323</u>	<u>\$ 31,936,218</u>	<u>\$ 18,597,995</u>
Excess of Revenues Over (Under)				
Expenditures	(1,192,101)	(5,572,588)	(10,278,825)	(5,988,604)
Other Financing Sources (Uses):				
Proceeds from sale of notes	0	1,500,000	0	0
General obligation bonds issued	0	0	0	18,000,000
Premium on general obligation bonds issued	0	0	0	233,248
Premium on note	0	0	0	0
Proceeds from sale of capital assets	0	2,000,000	0	0
Other financing sources/uses	0	0	0	0
Transfers in	39,950	19,000	81,309	83,317
Transfers out	(39,950)	(19,000)	(81,309)	(83,317)
Total other financing sources (uses)	<u>0</u>	<u>3,500,000</u>	<u>-</u>	<u>18,233,248</u>
Net change in fund balance	<u>\$ (1,192,101)</u>	<u>\$ (2,072,588)</u>	<u>\$ (10,278,825)</u>	<u>\$ 12,244,644</u>
Debt Service as a Percentage of				
Noncapital Expenditures	9.8%	9.0%	6.6%	6.3%

Source: FY1999 - FY2006 School District Audit Reports. FY1997-1998 audit reports are not available.

Note: General government includes the general fund and all special revenue fund types. These funds have been redefined with the implementation of GASB Statement No. 34, beginning with the Fiscal Year Ended June 30, 2002.

Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999
\$ 10,541,649	\$ 9,354,051	\$ 7,655,778	\$ 8,920,933
2,027,489	1,817,914	2,145,839	1,852,925
145,816	217,817	224,369	87,528
40,912	31,570	19,169	17,732
53,992	27,218	35,443	25,075
13,362	0	0	0
8,529	0	0	20,997
199,229	0	0	0
15,047	88,251	96,306	81,087
<u>\$ 13,046,025</u>	<u>\$ 11,536,821</u>	<u>\$ 10,176,904</u>	<u>\$ 11,006,277</u>

\$ 5,881,434	\$ 5,042,267	\$ 4,483,065	\$ 4,274,657
935,091	689,591	550,255	455,022
0	395,990	573,263	323,497
617,062	514,631	488,957	454,534
712,080	710,129	665,639	516,537
128,289	108,542	126,442	121,747
873,173	738,382	703,042	689,902
385,785	366,007	353,711	327,074
160,833	155,898	182,309	160,420
1,046,395	1,168,702	1,036,950	966,259
561,567	584,158	574,462	499,391
5,025	5,000	5,000	5,000
199,682	216,454	196,930	190,585
280,954	0	0	0
448,506	414,021	367,584	361,035
573,080	1,751,874	1,281,992	343,991
0	0	0	0
0	0	0	0
19,010	0	0	0
<u>\$ 12,827,966</u>	<u>\$ 12,861,646</u>	<u>\$ 11,589,601</u>	<u>\$ 9,689,651</u>

218,059	(1,324,825)	(1,412,697)	1,316,626
0	0	0	0
0	0	0	0
0	0	0	0
13,099	0	0	0
0	0	0	0
0	0	2,605,852	0
175,164	1,466,526	654,971	2,116
(175,164)	(1,503,627)	(710,471)	(48,116)
13,099	(37,101)	2,550,352	(46,000)
<u>\$ 231,158</u>	<u>\$ (1,361,926)</u>	<u>\$ 1,137,655</u>	<u>\$ 1,270,626</u>

0.2%

0.0%

0.0%

0.0%

Independence Local School District

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

Year (2)	Total Tax Levy	Current Collections	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection As A Percent Of Total Levy
2005	\$ 16,859,672	\$ 13,147,907	77.98%	\$ 501,401	\$ 13,649,308	80.96%
2004	13,494,207	11,647,680	86.32%	494,041	12,141,721	89.98%
2003	13,692,773	11,553,251	84.37%	432,210	11,985,461	87.53%
2002	12,878,030	10,667,770	82.84%	395,401	11,063,171	85.91%
2001	11,325,781	10,344,450	91.34%	440,324	10,784,774	95.22%
2000	11,154,448	9,722,010	87.16%	394,186	10,116,196	90.69%
1999	9,690,760	9,027,952	93.16%	578,633	9,606,585	99.13%
1998	9,807,742	8,568,423	87.36%	421,079	8,989,502	91.66%
1997	9,318,623	8,080,313	86.71%	321,788	8,402,101	90.16%
1996	8,666,083	6,564,622	75.75%	217,453	6,782,075	78.26%

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

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

(2) Represents collection year 2005 information cannot be presented because all collections have not been made by June 30.

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

Collection Year	School Levy	Cuyahoga County Levy	Library Levy	City Levy	Total Levy	Debt Service Included in Total Levy			
						School	County	City	Total
2006	\$ 31.50	\$ 18.57	\$ 2.00	\$ 2.80	\$ 54.87	\$ 2.80	\$ 0.71	\$ 0.60	\$ 4.11
2005	26.00	18.30	2.00	2.80	49.10	2.60	0.88	0.60	4.08
2004	25.70	18.00	1.40	2.80	47.90	2.30	0.91	0.60	3.81
2003	25.70	16.20	1.40	3.20	46.50	2.30	1.00	0.91	4.21
2002	23.40	16.20	1.40	3.20	44.20	0	1.00	0.86	1.86
2001	23.40	16.20	1.40	3.30	44.30	0	1.10	0.79	1.89
2000	23.40	15.30	1.40	3.50	43.60	0	1.30	0.85	2.15
1999	23.40	15.30	1.40	3.60	43.70	0	1.40	0.27	1.67
1998	23.40	15.30	1.40	3.60	43.70	0	1.40	0.72	2.12
1997	23.40	15.30	1.40	3.60	43.70	0	1.40	0.63	2.03

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

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

<u>Collection Year</u>	<u>Real Property (1)</u>		<u>Public Utility (2)</u>		<u>Tangible Personal Property (3)</u>		<u>Total</u>		<u>Ratio</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
2006	\$ 464,538,960	\$ 1,327,254,171	\$ 20,241,990	\$ 23,002,261	\$ 40,970,389	\$ 163,881,556	\$ 525,751,339	\$ 1,514,137,989	35%
2005	472,651,150	1,350,431,857	25,368,400	28,827,727	42,971,606	171,886,424	540,991,156	1,551,146,008	35%
2004	466,620,460	1,333,201,314	22,120,190	25,136,580	49,910,985	199,643,940	538,651,635	1,557,981,834	35%
2003	435,234,900	1,243,528,286	21,770,270	24,738,943	58,832,880	235,331,520	515,838,050	1,503,598,749	34%
2002	430,253,880	1,229,296,800	18,013,390	20,469,761	63,851,343	255,405,372	512,118,613	1,505,171,933	34%
2001	413,535,520	1,181,530,057	24,740,020	28,113,659	57,941,478	231,765,912	496,217,018	1,441,409,628	34%
2000	354,627,200	1,013,220,571	26,070,840	29,625,955	53,400,026	213,600,104	434,098,066	1,256,446,630	35%
1999	345,177,050	986,220,143	30,688,820	34,873,659	49,644,275	198,577,100	425,510,145	1,219,670,902	35%
1998	329,554,390	941,583,971	26,540,300	30,159,432	49,559,054	198,236,216	405,653,744	1,169,979,619	35%
1997	299,600,680	856,001,943	27,091,360	30,785,636	47,041,383	188,165,532	373,733,423	1,074,953,111	35%

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

(1) Real estate value is assessed at 35% of actual value.

(2) Public utility personal is assessed at 88% of actual value.

(3) Tangible personal property is assessed at 25% of actual value for 1996 - 2002.

For 2003, the percentage is 23% and will be further reduced to 0% by 2013.

Independence Local School District
*Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita
Last Four Calendar Years (1)*

Collection Year	General Obligation Bonds	Amount Available in Debt Service Fund	Notes Payable	Net General Obligation Bonded Debt (2)	Assessed Value (3)	Population (4)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita	Total Personal Income (5)	Net Debt Per Total Personal Income
2006	\$16,720,000	\$ 768,904	\$1,500,000	\$17,451,096	\$525,751,339	7,100	3.32%	\$ 2,458	15,839,375,960	0.11%
2005	17,340,000	679,817	1,500,000	18,160,183	540,991,156	7,100	3.36%	2,558	16,116,105,816	0.11%
2004	17,830,000	647,876	0	17,182,124	538,651,635	7,100	3.19%	2,420	16,886,479,453	0.10%
2003	18,000,000	331,198	0	17,668,802	515,838,050	7,100	3.43%	2,489	15,059,815,251	0.12%

Sources:

- (1) Prior to 2003, the School District did not have general obligation bonded debt.*
- (2) School District Financial Records*
- (3) Cuyahoga County Auditor.*
- (4) U.S. Census of Population, 2000 Federal Census.*
- (5) Was calculated by multiplying the population of the City of Independence by the median personal income of Cuyahoga County, Ohio.*

Independence Local School District
Computation of Legal Debt Margin
Last Nine Fiscal Years (1)

	2006	2005	2004	2003	2002
Assessed Valuation	<u>\$525,751,339</u>	<u>\$540,991,156</u>	<u>\$538,651,635</u>	<u>\$515,838,050</u>	<u>\$512,118,613</u>
Debt Limit - 9% of Assessed Value (2)	\$47,317,621	\$48,689,204	\$48,478,647	\$46,425,425	\$46,090,675
Amount of Debt Outstanding					
General Obligation Bonds	16,580,000	17,200,000	17,690,000	17,860,000	0
Capital Appreciations Bonds	140,000	140,000	140,000	140,000	0
Notes Payable	1,500,000	1,500,000	0	0	0
Less: Amount Available in Debt Service	<u>(768,904)</u>	<u>(679,817)</u>	<u>(647,876)</u>	<u>(331,198)</u>	<u>0</u>
Total	17,451,096	18,160,183	17,182,124	17,668,802	0
Exemptions:					
Notes Payable	1,500,000	(1,500,000)	0	0	0
Amount of Debt Subject to Limit	<u>18,951,096</u>	<u>16,660,183</u>	<u>17,182,124</u>	<u>17,668,802</u>	<u>0</u>
Overall Debt Margin	<u>\$28,366,525</u>	<u>\$32,029,021</u>	<u>\$31,296,523</u>	<u>\$28,756,623</u>	<u>\$46,090,675</u>
Legal Debt Margin as a Percentage of Debt Limit	59.95%	65.78%	64.56%	61.94%	100.00%
Unvoted Legal Debt Limit - .10% of Assessed Value (1)	\$525,751	\$540,991	\$538,652	\$515,838	\$512,119
Amount of Debt Subject to Limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Debt Margin	<u>\$525,751</u>	<u>\$540,991</u>	<u>\$538,652</u>	<u>\$515,838</u>	<u>\$512,119</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Cuyahoga County Auditor and School District Financial Records

(1) Information prior to 1998 is not available

(2) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Note: Prior to 2003, the School District did not report any debt.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>\$496,217,018</u>	<u>\$434,098,066</u>	<u>\$425,510,145</u>	<u>\$405,653,744</u>
\$44,659,532	\$39,068,826	\$38,295,913	\$36,508,837
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$44,659,532</u>	<u>\$39,068,826</u>	<u>\$38,295,913</u>	<u>\$36,508,837</u>
100.00%	100.00%	100.00%	100.00%
\$496,217	\$434,098	\$425,510	\$405,654
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$496,217</u>	<u>\$434,098</u>	<u>\$425,510</u>	<u>\$405,654</u>
100.00%	100.00%	100.00%	100.00%

Independence Local School District
Computation of Direct & Overlapping General Obligation Bonded Debt
 June 30, 2006

	General Obligation Bonded Debt Outstanding	Percentage Applicable to School District (1)	Amount Application to School District
Direct:			
Independence Local School District	\$ 16,720,000	100%	\$ 16,720,000
Overlapping:			
City of Independence (2)	25,105,000	100%	25,105,000
Cuyahoga County (2)	241,445,000	2%	4,828,900
Regional Transit Authority (3)	139,790,000	2%	2,795,800
Total Overlapping	406,340,000		32,729,700
Total	\$ 423,060,000		\$ 49,449,700

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

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2005 collection year.

(2) Year ending 12/31/2004 audited financial statements (most recent available).

(3) Year ending 12/31/2005 audited financial statements (most recent available).

Independence Local School District
*Ratio of Annual Debt Service Expenditures for
 General Obligation Bonded Debt to Total Governmental Expenditures
 Last Four Years*

Year	Principal	Interest	Total Debt Service	Total Governmental Fund Expenditures	Ratio of Debt Service to Governmental Fund Expenditures (Percentage)
2006	\$ 626,900	\$ 913,017	\$ 1,539,917	\$ 17,625,758	8.74%
2005	490,000	825,374	1,315,374	24,960,323	5.27%
2004	170,000	758,198	928,198	31,936,218	2.91%
2003	647,868	228,763	876,631	18,597,995	4.71%

Source: School District Financial Records

Note: Prior to 2003, the School District did not have general obligation bonded debt.

Independence Local School District

Demographic Statistics

Last Ten Years

Year	Cuyahoga County Population (1)	Independence City Population (1)	School Enrollment (2)	Unemployment Rate	Median Personal Income (3)	Total Personal Income (4)
2006	1,380,421	7,100	1,109	4.6%	N/A	N/A
2005	1,380,421	7,100	1,158	5.7%	\$ 39,752	\$ 282,239,200
2004	1,380,421	7,100	1,150	6.8%	39,535	280,698,500
2003	1,380,421	7,100	1,118	6.7%	39,551	280,812,100
2002	1,380,421	7,100	1,069	4.6%	39,040	277,184,000
2001	1,380,421	7,100	1,002	4.5%	38,958	276,601,800
2000	1,386,096	6,800	997	4.5%	39,847	270,959,600
1999	1,386,096	6,800	987	4.6%	38,811	263,914,800
1998	1,386,096	6,800	948	4.4%	38,522	261,949,600
1997	1,386,096	6,800	925	5.8%	36,754	249,927,200

Source: Department of Job and Family Services

(1) U.S. Census of Population

(2) School District Records.

*(3) Median Personal Income is for Cuyahoga County, Ohio. More detailed data is not readably available.
Year end 2006 is not yet available.*

(4) Was calculated by multiplying the population of the City of Independence by the median personal income of Cuyahoga County, Ohio.

Independence Local School District

Principal Taxpayers - Property Taxes

December 31, 2005

Name of Taxpayer	Assessed Value (1)	Percent of Real Assessed Value
Duke Realty Ohio	\$ 40,688,600	7.74%
The Cleveland Clinic	12,940,730	2.46%
Rockside - 77 Properties, Ltd.	12,822,680	2.44%
Summit Office Park Ltd. Partnership	7,827,510	1.49%
Cleveland Electric Illuminating Co.	7,501,300	1.43%
JDI Oak Tree Holdings, LLC	7,390,290	1.41%
Independence Suites	7,012,010	1.33%
Jagi Cleveland Independence	6,865,090	1.31%
6055 Properties Ltd.	5,754,740	1.09%
Minoff Industrial Park Co.	4,867,770	0.93%
Total	<u>\$ 113,670,720</u>	<u>21.63%</u>
<i>Total Real Assessed Value</i>	<u>\$ 525,751,339</u>	

Source: Cuyahoga County Auditor.

(1) Assessed values are for the 2005 collection year.

NOTE- Nine years prior information is not available.

Independence Local School District

Principal Employers

October 31, 2005

<u>Employer</u>	<u>Nature of Business or Activity</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
L. D. Kichler	Lighting manufacturer	424	2.36%
AGA Gas, Inc.	Gas distribution	379	2.11%
Compuware Corp.	Software service and development	222	1.23%
USDA-National Finance Ctr.	Payroll processing for all federal government agencies within the city boundaries	413	2.29%
Computer Associates	Software storage and security	215	1.19%
Oracle Corp.	Software application and database development	220	1.22%
ADP, Inc.	Payroll processing company	264	1.47%
MCI Worldcom Services	Telecommunications including cell phones	134	0.74%
Xerox Corp.	Copier products and service	129	0.72%
Cleveland Clinic Foundation	Patient services and billing	424	2.36%
Total		<u>2,824</u>	<u>15.69%</u>
Total Employment within the School District		<u>18,000</u>	

Source: City of Independence, Ohio (most recent available).

NOTE- Nine years prior information is not available.

Independence Local School District
School District Employees by Department
Last Six Fiscal Years (1)

Department	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Bus Drivers	16	16	15	18	16	16
Custodian/Maintenance workers	9	9	9	9	6	7
Secretaries - General and Principals	7	7	7	7	6	7
Educational Aides	11	14	16	16	12	14
Cleaners	12	13	13	13	10	10
Cafeteria workers	11	10	10	10	10	10
Tutors and Auxiliary Teachers	4	3	3	3	4	4
Teachers	78	84	89	89	76	80
Superintendent	1	1	1	1	1	1
Superintendent Secretary	1	1	1	1	1	1
Principals	3	3	3	3	3	3
Director of Curriculum and Instruction	1	1	1	1	1	1
Director of Curr. and Instr. - Secretary	1	1	1	1	1	1
Technology Coordinator	1	1	1	1	1	1
Psychologist	0	0	0	1	1	1
Service Manager	1	1	1	1	1	1
Assistant to Service Manager	1	1	1	1	1	1
Treasurer	1	1	1	1	1	1
Fiscal Coordinator	1	1	1	1	1	1
Payroll Coordinator	1	1	1	1	1	1
Total Employees	161	169	175	179	154	162
Certified teachers	82	87	92	92	80	84
Certified administrators	7	7	7	7	7	7
Classified employees	72	75	76	80	67	71
Total	161	169	175	179	154	162

Source : School District Records

(1) Information prior to fiscal year 2001 is not available.

Independence Local School District
Cost Per Pupil
Last Eight Fiscal Years

Year	General Fund Expenditures	Average Daily Student Enrollment	Cost Per Pupil
2006	\$ 13,160,742	1,109	\$ 11,867
2005	11,998,134	1,158	10,361
2004	12,282,290	1,150	10,680
2003	12,638,773	1,118	11,305
2002	11,713,777	1,069	10,958
2001	10,538,935	1,002	10,518
2000	9,811,760	997	9,841
1999	8,981,589	987	9,100

Source: FY1999 - FY2006 School District Audit Reports. FY1997-1998 audit reports are not available.

Independence Local School District
Teacher Education and Experience
 June 30, 2006

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	12	14.29%
Bachelor + 12 hrs.	6	7.14%
Bachelor + 24 hrs.	2	2.38%
Master's Degree	37	44.05%
Master's + 18 hrs.	15	17.86%
Master's + 27 hrs.	6	7.14%
Master's + 36 hrs.	3	3.57%
Phd	3	3.57%
Total	<u>84</u>	<u>100.00%</u>

<u>Years of Experience</u>	<u>Number of Teachers</u>		<u>Percentage of Total</u>	
	<u>Independence LSD Experience</u>	<u>Total Experience</u>	<u>Independence LSD Experience</u>	<u>Total Experience</u>
0-5	9	9	20.00%	10.71%
6-10	8	19	17.78%	22.62%
11 and over	28	56	62.22%	66.67%
	<u>45</u>	<u>84</u>	<u>100.00%</u>	<u>100.00%</u>

Source: School District Personnel Records.

Independence Local School District

Capital Assets by Function/Program (1)

Last Two Fiscal Years

	<u>2006</u>		<u>2005</u>
<i>Instruction:</i>			
Regular			
Land	\$ 96,716	\$	96,716
Building and Improvements	2,283,530		2,369,406
Furniture and Equipment	437,881		543,995
Special			
Building and Improvements	608,529		583,000
Furniture and Equipment	0		325
<i>Support Services:</i>			
Pupils			
Building and Improvements	608,529		583,000
Furniture and Equipment	164		492
Instructional Staff			
Building and Improvements	2,738,379		2,623,498
Furniture and Equipment	91,912		131,979
Administration			
Land	30,947		30,947
Building and Improvements	623,859		12,844,109
Furniture and Equipment	7,050		10,008
Fiscal			
Furniture and Equipment	1,640		2,835
Operation and Maintenance of Plant			
Building and Improvements	12,780,059		1,132
Furniture and Equipment	121,291		133,957
Vehicles	16,657		19,988
Pupil Transportation			
Land	19,436		19,436
Building and Improvements	6,841		8,085
Furniture and Equipment	2,756		3,702
Vehicles	356,894		334,052
Food Service Operations			
Building and Improvements	2,434,114		0
Furniture and Equipment	11,248		16,418
Operation of Non-Instructional Services			
Building and Improvements	59,536		2,396,113
Furniture and Equipment	9,885		16,172
Extracurricular Activities			
Land Improvements	152,532		166,399
Building and Improvements	10,656,327		10,210,828
Furniture and Equipment	5,688		6,904
	<u>\$ 34,162,400</u>	\$	<u>33,153,496</u>

Source: School District records

(1) Amounts are net of accumulated depreciation.

Note: Prior to Fiscal Year 2005 is not readably available.



Mary Taylor, CPA
Auditor of State

INDEPENDENCE LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2007**