

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INDEPENDENCE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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INDEPENDENCE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Dawnye Sturtz	President	2008
Robert Reiff	Vice President	2007
Kevin Robb	Board Member	2009
Charlie McCardle	Board Member	(appointed 10-16-06) 2007
John Christensen	Board Member	(appointed 3-12-07) 2007
<u>Board of Education</u>		
(After September 2007 Election)		
Dawnye Sturtz	President	2008
Kevin Robb	Vice President	2009
Charlie McCardle	Board Member	2011
John Christensen	Board Member	2008
Joe Olsen	Board Member	(appointed 10-15-07) 2008
<u>School Officials</u>		
Devin Embray	Superintendent	2008
Charmaine Wickwire	District Secretary/Treasurer	2008
Swisher & Cohrt	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Independence Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Independence Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Independence Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the District changed its asset capitalization policy for Business-type activities and Enterprise, Proprietary Fund equipment.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of Independence Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 50 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Independence Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$12,870,858 in fiscal 2007 to \$13,521,765 in fiscal 2008, while General Fund expenditures increased from \$13,098,949 in fiscal 2007 to \$13,902,301 in fiscal 2008. The District's General Fund balance decreased from \$612,132 in fiscal 2007 to a balance of \$231,596 in fiscal 2008, a 62.17% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources. The increase in expenditures was due to the increase in negotiated salary and benefits and equipment purchases.
- A decrease in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$166,872 in fiscal year 2007 to \$155,173 in fiscal year 2008.
- The District's General Fund solvency ratio was 1.25% at June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Independence Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Independence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Independence Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Independence Community School District Annual Financial Report

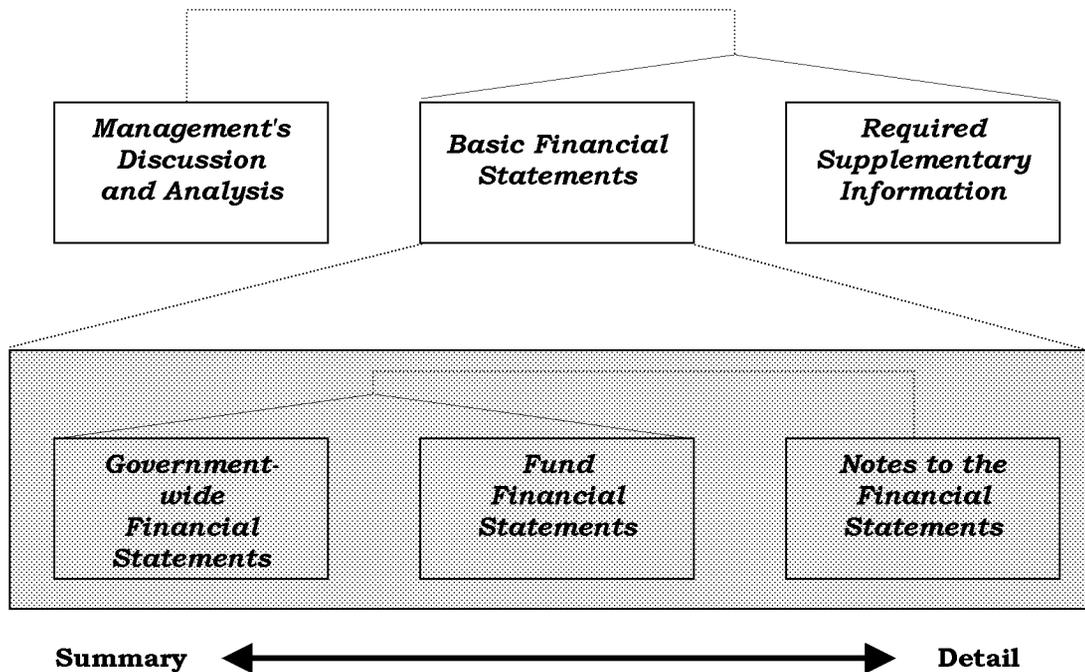


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for employee flex benefits.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 12,147,413	10,937,598	126,982	100,135	12,274,395	11,037,733	11.20%
Capital assets	5,938,156	6,086,501	62,442	72,480	6,000,598	6,158,981	-2.57%
Total assets	18,085,569	17,024,099	189,424	172,615	18,274,993	17,196,714	6.27%
Long-term obligations	1,167,904	815,000	0	0	1,167,904	815,000	43.30%
Other liabilities	9,028,346	8,059,361	42,724	43,111	9,071,070	8,102,472	11.95%
Total liabilities	10,196,250	8,874,361	42,724	43,111	10,238,974	8,917,472	14.82%
Net assets:							
Invested in capital assets, net of related debt	5,228,156	5,271,501	62,442	72,480	5,290,598	5,343,981	-1.00%
Restricted	1,994,549	1,826,657	0	0	1,994,549	1,826,657	9.19%
Unrestricted	666,614	1,051,580	84,258	57,024	750,872	1,108,604	-32.27%
Total net assets	\$ 7,889,319	8,149,738	146,700	129,504	8,036,019	8,279,242	-2.94%

The District’s combined net assets decreased by 2.94%, or \$243,223, over the prior year. The largest portion of the District’s net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$167,892, or 9.19% over the prior year. The increase was primarily a result of increases in the restricted grant carryovers and increases in the fund balances of the following funds: Student Activity, Management Levy, Physical Plant and Equipment Levy, and Debt Service.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$357,732, or 32.27%. This decrease in unrestricted net assets was a result of the District’s decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,344,453	1,229,988	336,470	347,897	1,680,923	1,577,885	6.53%
Operating grants and contributions and restricted interest	1,938,343	1,817,173	265,652	284,947	2,203,995	2,102,120	4.85%
Capital grants and contributions and restricted interest	0	345,185	0	0	0	345,185	-100.00%
General revenues:							
Property tax	4,087,157	3,850,787	0	0	4,087,157	3,850,787	6.14%
Income surtax	639,631	525,013	0	0	639,631	525,013	21.83%
Local option sales and service tax	820,800	849,797	0	0	820,800	849,797	-3.41%
Unrestricted state grants	6,516,575	6,303,999	0	0	6,516,575	6,303,999	3.37%
Other	354,980	249,147	1,269	1,100	356,249	250,247	42.36%
Total revenues	15,701,939	15,171,089	603,391	633,944	16,305,330	15,805,033	3.17%
Program expenses:							
Governmental activities:							
Instructional	10,238,608	9,607,855	9	0	10,238,617	9,607,855	6.57%
Support services	4,711,827	3,792,953	3,975	5,224	4,715,802	3,798,177	24.16%
Non-instructional programs	1,558	1,548	582,211	606,234	583,769	607,782	-3.95%
Other expenses	1,028,970	897,467	0	0	1,028,970	897,467	14.65%
Total expenses	15,980,963	14,299,823	586,195	611,458	16,567,158	14,911,281	11.10%
Change in net assets before special item	(279,024)	871,266	17,196	22,486	(261,828)	893,752	-129.30%
Special items	18,605	(78,786)	0	0	18,605	(78,786)	123.61%
Changes in net assets	(260,419)	792,480	17,196	22,486	(243,223)	814,966	-129.84%
Beginning net assets	8,149,738	7,357,258	129,504	107,018	8,279,242	7,464,276	10.92%
Ending net assets	\$ 7,889,319	8,149,738	146,700	129,504	8,036,019	8,279,242	-2.94%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 76.83% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$16.3 million of which \$15.7 million was for governmental activities and \$.6 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.17% increase in revenues and a 11.10% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$15,701,939 and expenses were \$15,980,963.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change	2008	2007	Change
			2007-08			2007-08
Instruction	\$ 10,238,608	9,607,855	6.56%	7,609,942	7,310,780	4.09%
Support services	4,711,827	3,792,953	24.23%	4,582,129	3,540,236	29.43%
Non-instructional programs	1,558	1,548	0.65%	1,558	1,548	0.65%
Other expenses	1,028,970	897,467	14.65%	504,538	54,913	818.80%
Totals	\$ 15,980,963	14,299,823	11.76%	12,698,167	10,907,477	16.42%

- The cost financed by users of the District's programs was \$1,344,453.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,938,343.
- The net cost of governmental activities was financed with \$4,087,157 in property tax, \$639,631 in income surtax, \$820,800 in local option sales and services tax, \$6,516,575 in unrestricted state grants, \$194,068 in interest income and \$160,912 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$603,391 and expenses were \$586,195. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Independence Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,599,625, which is more than last year's ending fund balances of \$2,378,676. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to increases in the Management Levy Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$612,132 to \$231,596, due in part to the fact that increases in state source revenues were less than the increase in negotiated salary and benefit expenditures.

The Capital Projects Fund balance increased from \$1,346,670 in fiscal 2007 to \$1,448,475 in fiscal 2008. The increase is due to less expenditures compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$129,504 at June 30, 2007 to \$146,700 at June 30, 2008, representing an increase of 13.28%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Independence Community School District amended its annual budget one time to reflect expenditures associated with the increases in costs due to the timing of disbursements.

The District's revenues were \$294,273 more than budgeted revenues, a variance of 1.84%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. No functional budget areas were exceeded during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$6.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.57% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$304,084.

The original cost of the District's capital assets was \$11.8 million. Governmental funds account for \$11.5 million with the remainder of \$.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,336,397 at June 30, 2007, compared to \$54,578 reported at June 30, 2008. This significant decrease resulted from the capitalization of the completed building project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 1,141,353	1,159,690	0	0	1,141,353	1,159,690	-1.58%
Construction in progress	54,578	1,336,397	0	0	54,578	1,336,397	-95.92%
Buildings	4,009,781	2,812,173	0	0	4,009,781	2,812,173	42.59%
Land improvements	231,224	278,540	0	0	231,224	278,540	-16.99%
Machinery and equipment	501,220	499,701	62,442	72,480	563,662	572,181	-1.49%
Total	\$ 5,938,156	6,086,501	62,442	72,480	6,000,598	6,158,981	-2.57%

Long-Term Debt

At June 30, 2008, the District had \$1,167,904 in general obligation and other long-term debt outstanding. This represents an increase of 43.30% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2008	2007	Change
General Obligation Bonds	\$ 85,000	190,000	-55.26%
Revenue Bonds	625,000	625,000	0.00%
Capital Lease	330,697	0	100.00%
Early Retirement and Compensated Absences	127,207	0	100.00%
Totals	\$ 1,167,904	815,000	43.30%

The District had total outstanding General Obligation Bond indebtedness at June 30, 2008 of \$85,000.

The District had total outstanding Revenue Bond indebtedness at June 30, 2008 of \$625,000 payable from the Capital Project Fund.

The District had total outstanding Capital Lease indebtedness at June 30, 2008 of \$330,697 payable from the Capital Projects Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Funds of \$89,358 at June 30, 2008.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District had a decrease in enrollment in the fall of 2007 of 13.5 students. In addition, the district experienced a significant enrollment decline in the fall of 2008 of 47.2 students. This represents a decrease over \$250,000 in funding.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

-
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charmaine Wickwire, Board Secretary, Independence Community School District, 1207 1st Street West, Independence, Iowa, 50644.

Basic Financial Statements

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,389,607	\$ 111,521	\$ 3,501,128
Receivables:			
Property tax:			
Current year	63,644	-	63,644
Succeeding year	3,902,000	-	3,902,000
Income surtax	535,445	-	535,445
Accounts	67,627	-	67,627
Due from other governments	864,030	-	864,030
Inventories	-	15,461	15,461
Restricted ISCAP assets (note 5):			
Investments	3,261,906	-	3,261,906
Accrued interest receivable	34,675	-	34,675
Prepaid expenses	28,479	-	28,479
Capital assets, net of accumulated depreciation (note 6)	5,938,156	62,442	6,000,598
Total assets	18,085,569	189,424	18,274,993
Liabilities			
Accounts payable	407,861	-	407,861
Salaries and benefits payable	1,398,214	34,026	1,432,240
Accrued interest payable	16,003	-	16,003
ISCAP warrants payable (note 5)	3,242,000	-	3,242,000
ISCAP accrued interest payable (note 5)	22,225	-	22,225
ISCAP unamortized premium (note 5)	40,043	-	40,043
Deferred revenue:			
Succeeding year property tax	3,902,000	-	3,902,000
Other	-	8,698	8,698
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	89,358	-	89,358
Bonds payable	230,000	-	230,000
Capital lease purchase agreement	161,363	-	161,363
Compensated absences	37,849	-	37,849
Portion due after one year:			
Bonds payable	480,000	-	480,000
Capital lease purchase agreement	169,334	-	169,334
Total liabilities	10,196,250	42,724	10,238,974

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 5,228,156	\$ 62,442	\$ 5,290,598
Restricted for:			
Management levy	224,334	-	224,334
Physical plant and equipment levy	204,590	-	204,590
Other special revenue purposes	222,317	-	222,317
Debt service	178,760	-	178,760
Capital projects	1,101,970	-	1,101,970
State grants	62,578	-	62,578
Unrestricted	<u>666,614</u>	<u>84,258</u>	<u>750,872</u>
Total net assets	<u>\$ 7,889,319</u>	<u>\$ 146,700</u>	<u>\$ 8,036,019</u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 10,238,608	\$ 1,300,063	\$ 1,328,603
Support services:			
Student services	498,903	549	76,686
Instructional staff services	1,057,981	-	-
Administration services	1,490,213	-	-
Operation and maintenance of plant services	1,161,151	10,015	-
Transportation services	503,579	33,826	8,622
	<u>4,711,827</u>	<u>44,390</u>	<u>85,308</u>
Non-instructional programs	<u>1,558</u>	-	-
Other expenditures:			
Facilities acquisition	288,537	-	-
Long-term debt interest and fiscal charges	31,829	-	-
AEA flowthrough	524,432	-	524,432
Depreciation (unallocated) *	184,172	-	-
	<u>1,028,970</u>	<u>-</u>	<u>524,432</u>
Total governmental activities	<u>15,980,963</u>	<u>1,344,453</u>	<u>1,938,343</u>
Business-Type Activities:			
Instruction	<u>9</u>	-	-
Support services:			
Administration services	810	-	-
Operation and maintenance of plant services	3,165	-	-
	<u>3,975</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	<u>582,211</u>	<u>336,470</u>	<u>265,652</u>
Total business-type activities	<u>586,195</u>	<u>336,470</u>	<u>265,652</u>
Total	<u>\$ 16,567,158</u>	<u>\$ 1,680,923</u>	<u>\$ 2,203,995</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,609,942)	\$ -	\$ (7,609,942)
(421,668)	-	(421,668)
(1,057,981)	-	(1,057,981)
(1,490,213)	-	(1,490,213)
(1,151,136)	-	(1,151,136)
(461,131)	-	(461,131)
(4,582,129)	-	(4,582,129)
(1,558)	-	(1,558)
(288,537)	-	(288,537)
(31,829)	-	(31,829)
-	-	-
(184,172)	-	(184,172)
(504,538)	-	(504,538)
(12,698,167)	-	(12,698,167)
-	(9)	(9)
-	(810)	(810)
-	(3,165)	(3,165)
-	(3,975)	(3,975)
-	19,911	19,911
-	15,927	15,927
(12,698,167)	15,927	(12,682,240)

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Special item - gain on sale of land

Total general revenues and special items

Change in net assets

Net assets beginning of year, as restated (note 11)

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 3,746,581	\$ -	\$ 3,746,581
109,655	-	109,655
230,921	-	230,921
639,631	-	639,631
820,800	-	820,800
6,516,575	-	6,516,575
194,068	1,269	195,337
160,912	-	160,912
18,605	-	18,605
12,437,748	1,269	12,439,017
(260,419)	17,196	(243,223)
8,149,738	129,504	8,279,242
\$ 7,889,319	\$ 146,700	\$ 8,036,019

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 1,126,380	\$ 1,267,897	\$ 995,330	\$ 3,389,607
Receivables:				
Property tax:				
Current year	52,947	-	10,697	63,644
Succeeding year	3,320,000	-	582,000	3,902,000
Income surtax	535,445	-	-	535,445
Interfund receivable (note 4)	7,705	-	-	7,705
Accounts	66,466	-	1,161	67,627
Due from other governments	672,955	191,075	-	864,030
Restricted ISCAP assets (note 5):				
Investments	3,261,906	-	-	3,261,906
Accrued interest receivable	34,675	-	-	34,675
Prepaid expenses	28,479	-	-	28,479
 Total assets	 <u>\$ 9,106,958</u>	 <u>\$ 1,458,972</u>	 <u>\$ 1,589,188</u>	 <u>\$ 12,155,118</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 317,435	\$ 10,497	\$ 79,929	\$ 407,861
Salaries and benefits payable	1,398,214	-	-	1,398,214
Interfund payable (note 4)	-	-	7,705	7,705
ISCAP warrants payable (note 5)	3,242,000	-	-	3,242,000
ISCAP accrued interest payable (note 5)	22,225	-	-	22,225
ISCAP unamortized premium (note 5)	40,043	-	-	40,043
Deferred revenue:				
Succeeding year property tax	3,320,000	-	582,000	3,902,000
Other	535,445	-	-	535,445
Total liabilities	<u>8,875,362</u>	<u>10,497</u>	<u>669,634</u>	<u>9,555,493</u>
Fund balance:				
Reserved for:				
State grants	62,578	-	-	62,578
Local option sales and services tax revenue bond sinking fund	-	-	156,724	156,724
Debt service	-	-	22,231	22,231
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	740,599	740,599
Undesignated	169,018	1,448,475	-	1,617,493
Total fund balances	<u>231,596</u>	<u>1,448,475</u>	<u>919,554</u>	<u>2,599,625</u>
Total liabilities and fund balances	<u>\$ 9,106,958</u>	<u>\$ 1,458,972</u>	<u>\$ 1,589,188</u>	<u>\$ 12,155,118</u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds	\$ 2,599,625
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,938,156
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	535,445
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,003)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,167,904)</u>
Net assets of governmental activities	<u><u>\$ 7,889,319</u></u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,022,497	\$ 820,800	\$ 665,333	\$ 5,508,630
Tuition	826,479	-	-	826,479
Other	428,526	21,917	636,110	1,086,553
State sources	7,801,110	-	565	7,801,675
Federal sources	443,153	-	-	443,153
Total revenues	<u>13,521,765</u>	<u>842,717</u>	<u>1,302,008</u>	<u>15,666,490</u>
Expenditures:				
Current:				
Instruction	9,557,073	85,374	622,099	10,264,546
Support services:				
Student services	497,687	-	-	497,687
Instructional staff services	448,773	548,878	64,567	1,062,218
Administration services	1,436,755	1,464	3,389	1,441,608
Operation and maintenance of plant services	1,013,159	23,231	124,564	1,160,954
Transportation services	422,864	-	16,612	439,476
	<u>3,819,238</u>	<u>573,573</u>	<u>209,132</u>	<u>4,601,943</u>
Non-instructional programs	1,558	-	-	1,558
Other expenditures:				
Facilities acquisition	-	244,214	55,226	299,440
Long term debt:				
Principal	-	-	282,699	282,699
Interest and fiscal charges	-	-	16,261	16,261
AEA flowthrough	524,432	-	-	524,432
	<u>524,432</u>	<u>244,214</u>	<u>354,186</u>	<u>1,122,832</u>
Total expenditures	<u>13,902,301</u>	<u>903,161</u>	<u>1,185,417</u>	<u>15,990,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(380,536)</u>	<u>(60,444)</u>	<u>116,591</u>	<u>(324,389)</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of land	\$ -	\$ -	\$ 36,942	\$ 36,942
Interfund transfers in (note 3)	-	-	346,147	346,147
Interfund transfers out (note 3)	-	(346,147)	-	(346,147)
Capital lease purchase agreement	-	508,396	-	508,396
Total other financing sources (uses)	<u>-</u>	<u>162,249</u>	<u>383,089</u>	<u>545,338</u>
Net change in fund balances	(380,536)	101,805	499,680	220,949
Fund balances beginning of year	<u>612,132</u>	<u>1,346,670</u>	<u>419,874</u>	<u>2,378,676</u>
Fund balances end of year	<u>\$ 231,596</u>	<u>\$ 1,448,475</u>	<u>\$ 919,554</u>	<u>\$ 2,599,625</u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 220,949

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 162,347	
Depreciation expense	<u>(292,355)</u>	(130,008)

In the Statement of Activities, the gain on sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (18,337)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 35,449

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (508,396)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 282,699

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (15,568)

Some expenses reported in the Statement of Activities, including early retirement and compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (127,207)

Change in net assets of governmental activities \$ (260,419)

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Nonmajor Enterprise - School Nutrition	Internal Service - Flexible Benefits
Assets		
Cash and cash equivalents	\$ 111,521	\$ 20,800
Inventories	15,461	-
Capital assets, net of accumulated depreciation (note 6)	<u>62,442</u>	<u>-</u>
Total assets	<u>189,424</u>	<u>20,800</u>
Liabilities		
Salaries and benefits payable	34,026	-
Deferred revenue	<u>8,698</u>	<u>-</u>
Total liabilities	<u>42,724</u>	<u>-</u>
Net Assets		
Invested in capital assets	62,442	-
Unrestricted	<u>84,258</u>	<u>20,800</u>
Total net assets	<u>\$ 146,700</u>	<u>\$ 20,800</u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Nonmajor Enterprise - School Nutrition	Internal Service - Flexible Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 336,470	\$ 107,282
Operating expenses:		
Instruction	9	-
Support services:		
Administration services	810	-
Operation and maintenance of plant services	3,165	-
Non-instructional programs	<u>582,211</u>	<u>91,959</u>
	<u>586,195</u>	<u>91,959</u>
Operating income (loss)	<u>(249,725)</u>	<u>15,323</u>
Non-operating revenues:		
Interest on investments	1,269	117
State sources	6,868	-
Federal sources	<u>258,784</u>	<u>-</u>
Total non-operating revenues	<u>266,921</u>	<u>117</u>
Change in net assets	17,196	15,440
Net assets beginning of year, as restated (note 11)	<u>129,504</u>	<u>5,360</u>
Net assets end of year	<u>\$ 146,700</u>	<u>\$ 20,800</u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Nonmajor Enterprise - School Nutrition	Internal Service - Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 330,124	\$ -
Cash received from miscellaneous operating activities	13,104	107,282
Cash payments to employees for services	(278,568)	-
Cash payments to suppliers for goods or services	<u>(259,045)</u>	<u>(91,959)</u>
Net cash provided by (used by) operating activities	<u>(194,385)</u>	<u>15,323</u>
Cash flows from non-capital financing activities:		
State grants received	6,868	-
Federal grants received	<u>219,402</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>226,270</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,691)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,269</u>	<u>117</u>
Net increase in cash and cash equivalents	31,463	15,440
Cash and cash equivalents beginning of year	<u>80,058</u>	<u>5,360</u>
Cash and cash equivalents end of year	<u>\$ 111,521</u>	<u>\$ 20,800</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Nonmajor Enterprise - School Nutrition	Internal Service - Flexible Benefits
	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (249,725)	\$ 15,323
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	11,729	-
Commodities used	42,623	-
Decrease in accounts receivable	1,221	-
Decrease in prepaid expenses	154	-
(Decrease) in accounts payable	(3,159)	-
(Decrease) in salaries and benefits payable	(2,765)	-
Increase in deferred revenue	<u>5,537</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (194,385)</u>	<u>\$ 15,323</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$42,623 of federal commodities.

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>6,380</u>
Liabilities:	
Other payables	<u>6,380</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

Independence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Independence, Iowa, and agricultural territory in Buchanan County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Independence Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Independence Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buchanan County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Flexible Benefits Fund is used to account for the flexible health and childcare benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenue.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,994,549.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>346,147</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Physical Plant and Equipment Levy	\$ <u>7,705</u>

The interfund balances are due to timing differences involved in the reimbursement between funds. These balances are not included on the District-wide Statement of Net Assets.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2007-08A	6/27/2007	6/27/2008	\$ -	\$ 14,102	\$ -	\$ -	-
2007-08B	1/23/2008	1/23/2009	1,323,234	19,838	1,319,000	21,488	7,063
2008-09A	6/26/2008	6/25/2009	1,938,672	735	1,923,000	737	32,980
Total			\$ <u>3,261,906</u>	\$ <u>34,675</u>	\$ <u>3,242,000</u>	\$ <u>22,225</u>	\$ <u>40,043</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,159,690	\$ -	\$ 18,337	\$ 1,141,353
Construction in progress	1,336,397	59,578	1,341,397	54,578
Total capital assets not being depreciated	<u>2,496,087</u>	<u>59,578</u>	<u>1,359,734</u>	<u>1,195,931</u>
Capital assets being depreciated:				
Buildings	6,481,479	1,341,397	-	7,822,876
Improvements other than buildings	1,063,783	-	-	1,063,783
Furniture and equipment	1,389,338	102,769	84,715	1,407,392
Total capital assets being depreciated	<u>8,934,600</u>	<u>1,444,166</u>	<u>84,715</u>	<u>10,294,051</u>
Less accumulated depreciation for:				
Buildings	3,669,306	143,789	-	3,813,095
Improvements other than buildings	785,243	47,316	-	832,559
Furniture and equipment	889,637	101,250	84,715	906,172
Total accumulated depreciation	<u>5,344,186</u>	<u>292,355</u>	<u>84,715</u>	<u>5,551,826</u>
Total capital assets being depreciated, net	<u>3,590,414</u>	<u>1,151,811</u>	<u>-</u>	<u>4,742,225</u>
Governmental activities capital assets, net	<u>\$ 6,086,501</u>	<u>\$ 1,211,389</u>	<u>\$ 1,359,734</u>	<u>\$ 5,938,156</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 261,704	\$ 1,691	\$ -	\$ 263,395
Less accumulated depreciation	189,224	11,729	-	200,953
	<u>72,480</u>	<u>(10,038)</u>	<u>-</u>	<u>62,442</u>
Business-type activities capital assets, net	\$ <u>72,480</u>	\$ <u>(10,038)</u>	\$ <u>-</u>	\$ <u>62,442</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction		\$ 27,114
Support services:		
Administration		3,253
Operation and maintenance of plant services		13,899
Transportation		63,917
		<u>108,183</u>
Unallocated depreciation		<u>184,172</u>
Total governmental activities depreciation expense		\$ <u>292,355</u>
Business-type activities:		
Food service operations		\$ <u>11,729</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Capital Lease Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 190,000	\$ 625,000	\$ -	\$ -	\$ 815,000
Additions	89,358	-	-	508,396	37,849	635,603
Reductions	-	105,000	-	177,699	-	282,699
Balance end of year	<u>\$ 89,358</u>	<u>\$ 85,000</u>	<u>\$ 625,000</u>	<u>\$ 330,697</u>	<u>\$ 37,849</u>	<u>\$ 1,167,904</u>
Due within one year	<u>\$ 89,358</u>	<u>\$ 85,000</u>	<u>\$ 145,000</u>	<u>\$ 161,363</u>	<u>\$ 37,849</u>	<u>\$ 518,570</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and support staff. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible certified employee is equal to \$20,000 plus \$50 per day of sick leave accrued by June 30, 2008. The early retirement benefit for each eligible support staff employee is equal to 40% of the employee's current salary, less any overtime or other additional pay, in addition to \$30 per day of sick leave accrued by June 30, 2008. Early retirement benefits will be paid into a 403(b) plan in July following the start of retirement.

At June 30, 2008, the District has obligations to seven participants with a total liability of \$89,358. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$127,747. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	2.75 %	\$ 85,000	\$ 1,581	\$ 86,581

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.70 %	\$ 145,000	\$ 20,765	\$ 165,765
2010	3.75	155,000	15,176	170,176
2011	3.75	160,000	9,270	169,270
2012	3.80	165,000	3,135	168,135
		\$ 625,000	\$ 48,346	\$ 673,346

The District pledged future local option sales and services tax revenues to repay the \$760,000 bonds issued in May 2006. The bonds were issued for the purpose of financing a portion of the costs of a new early childhood education building. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 20 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$673,346. For the current year, interest only of \$11,724 was paid on the bonds and total local option sales and services tax revenues were \$820,800.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- (c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

During the year ended June 30, 2008, the District entered into a capital lease purchase agreement for the purchase of computers and related equipment. The agreement is payable in three equal annual payments and includes interest at 4.94%.

Details of the District's June 30, 2008 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 161,363	\$ 16,336	\$ 177,699
2010	169,334	8,365	177,699
	<u>\$ 330,697</u>	<u>\$ 24,701</u>	<u>\$ 355,398</u>

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$501,615, \$447,384, and \$429,555, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Independence Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$524,432 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 11. Restatement of Beginning Balances

The following beginning balances have been restated to properly reflect the capital assets and the accumulated depreciation of the School Nutrition Fund as of July 1, 2007 due to a change in Nutrition Fund capitalization policy. The capitalization level was lowered from \$5,000 to \$500 in order to bring the District's records in line with the Department of Education's recommended capitalization level for nutrition equipment.

	<u>Equipment</u>	<u>Accumulated Depreciation</u>	<u>Business-type Activities and Enterprise - School Nutrition Fund Net Assets</u>
Balance, as previously reported	\$ 209,349	\$ 155,382	\$ 110,991
Adjustments:			
Capital assets	52,355	-	52,355
Accumulated depreciation	<u>-</u>	<u>33,842</u>	<u>(33,842)</u>
Balance, as restated	<u>\$ 261,704</u>	<u>\$ 189,224</u>	<u>\$ 129,504</u>

Required Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,421,662	\$ 337,739	\$ 7,759,401	\$ 6,967,745	\$ 6,967,745	\$ 791,656
State sources	7,801,675	6,868	7,808,543	7,931,918	7,931,918	(123,375)
Federal sources	443,153	258,784	701,937	1,075,945	1,075,945	(374,008)
Total revenues	15,666,490	603,391	16,269,881	15,975,608	15,975,608	294,273
EXPENDITURES/EXPENSES:						
Instruction	10,264,546	9	10,264,555	10,290,000	11,790,000	1,525,445
Support services	4,601,943	3,975	4,605,918	3,938,700	4,649,800	43,882
Non-instructional programs	1,558	582,211	583,769	685,000	685,000	101,231
Other expenditures	1,122,832	-	1,122,832	1,737,072	1,737,072	614,240
Total expenditures/expenses	15,990,879	586,195	16,577,074	16,650,772	18,861,872	2,284,798
Excess (deficiency) of revenues over (under) expenditures/ expenses	(324,389)	17,196	(307,193)	(675,164)	(2,886,264)	2,579,071
Other financing sources, net	545,338	-	545,338	(160,945)	(160,945)	706,283
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	220,949	17,196	238,145	(836,109)	(3,047,209)	3,285,354
Balance beginning of year, as restated	2,378,676	129,504	2,508,180	2,441,737	2,441,737	66,443
Balance end of year	\$ <u>2,599,625</u>	\$ <u>146,700</u>	\$ <u>2,746,325</u>	\$ <u>1,605,628</u>	\$ <u>(605,472)</u>	\$ <u>3,351,797</u>

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,211,100.

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Other Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 308,658	\$ 224,456	\$ 285,084	\$ 177,132	\$ 995,330
Receivables:					
Property tax:					
Current year	5,034	-	3,840	1,823	10,697
Succeeding year	293,000	-	211,000	78,000	582,000
Accounts	-	1,161	-	-	1,161
Total assets	<u>\$ 606,692</u>	<u>\$ 225,617</u>	<u>\$ 499,924</u>	<u>\$ 256,955</u>	<u>\$ 1,589,188</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 3,300	\$ 76,629	\$ -	\$ 79,929
Interfund payable	-	-	7,705	-	7,705
Deferred revenue:					
Succeeding year property tax	293,000	-	211,000	78,000	582,000
Total liabilities	<u>293,000</u>	<u>3,300</u>	<u>295,334</u>	<u>78,000</u>	<u>669,634</u>
Fund equity:					
Fund balances:					
Reserved for:					
Local option sales and services tax revenue bond sinking fund	-	-	-	156,724	156,724
Debt service	-	-	-	22,231	22,231
Unreserved:					
Undesignated	313,692	222,317	204,590	-	740,599
Total fund equity	<u>313,692</u>	<u>222,317</u>	<u>204,590</u>	<u>178,955</u>	<u>919,554</u>
Total liabilities and fund equity	<u>\$ 606,692</u>	<u>\$ 225,617</u>	<u>\$ 499,924</u>	<u>\$ 256,955</u>	<u>\$ 1,589,188</u>

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 325,042	\$ -	\$ 230,728	\$ 109,563	\$ 665,333
Other	16,917	597,981	21,212	-	636,110
State sources	280	-	193	92	565
Total revenues	<u>342,239</u>	<u>597,981</u>	<u>252,133</u>	<u>109,655</u>	<u>1,302,008</u>
Expenditures:					
Current:					
Instruction	7,827	531,493	82,779	-	622,099
Support services:					
Instructional staff services	-	4,237	60,330	-	64,567
Administration services	678	-	2,711	-	3,389
Operation and maintenance of plant services	124,564	-	-	-	124,564
Transportation services	15,962	-	650	-	16,612
Other expenditures:					
Facilities acquisition	-	-	55,226	-	55,226
Long term debt:					
Principal	-	-	-	282,699	282,699
Interest and fiscal charges	-	-	-	16,261	16,261
Total expenditures	<u>149,031</u>	<u>535,730</u>	<u>201,696</u>	<u>298,960</u>	<u>1,185,417</u>
Excess (deficiency) of revenues over (under) expenditures	193,208	62,251	50,437	(189,305)	116,591
Other financing sources:					
Sale of land	-	-	36,942	-	36,942
Interfund transfers in	-	-	-	346,147	346,147
Total other financing sources	<u>-</u>	<u>-</u>	<u>36,942</u>	<u>346,147</u>	<u>383,089</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ 193,208	\$ 62,251	\$ 87,379	\$ 156,842	\$ 499,680
Fund balances beginning of year	120,484	160,066	117,211	22,113	419,874
Fund balances end of year	\$ 313,692	\$ 222,317	\$ 204,590	\$ 178,955	\$ 919,554

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest	\$ 2,932	\$ 2,005	\$ 4,847	\$ 90
High School:				
Drama	304	-	210	94
Speech	2,092	744	1,960	876
Vocal Music	4,900	4,972	4,715	5,157
Band	3,625	36,462	36,610	3,477
Football Concessions	-	12,959	12,959	-
Athletics	16,368	108,480	110,677	14,171
Activity	(15,216)	205,086	189,876	(6)
Concessions	(783)	12,920	12,012	125
Musical	(450)	11,505	6,500	4,555
Band Trip	79,474	250,935	216,777	113,632
Awards	914	927	1,341	500
Yearbook	(8,583)	37,365	10,790	17,992
Student Council	6,644	5,880	6,689	5,835
AFS	2,879	2,233	5,112	-
French Club	1,533	5,963	7,335	161
Class of 2009	323	2,309	2,532	100
Spanish Club	-	108	108	-
Prom	1,845	1,291	2,840	296
Cheerleaders	543	3,462	3,978	27
ECSE Center	38	-	38	-
Middle School Athletics	(2,083)	11,674	7,781	1,810
Middle School	40,339	37,211	38,431	39,119
Middle School Activity Tickets	-	613	613	-
Middle School Concessions	2,119	589	-	2,708
East Elementary	15,674	10,709	17,116	9,267
West Elementary	4,635	1,468	3,772	2,331
Intrafund Transfers	-	(169,889)	(169,889)	-
Total	\$ 160,066	\$ 597,981	\$ 535,730	\$ 222,317

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>4,264</u>	\$ <u>4,174</u>	\$ <u>2,058</u>	\$ <u>6,380</u>
Liabilities				
Other payables	\$ <u>4,264</u>	\$ <u>4,174</u>	\$ <u>2,058</u>	\$ <u>6,380</u>

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 5,508,630	\$ 5,260,463	\$ 5,011,553	\$ 4,665,107
Tuition	826,479	739,581	662,747	606,646
Other	1,086,553	812,275	634,415	799,629
State sources	7,801,675	7,439,792	7,073,499	6,761,303
Federal sources	443,153	951,267	656,204	685,363
Total revenues	\$ 15,666,490	\$ 15,203,378	\$ 14,038,418	\$ 13,518,048
Expenditures:				
Instruction	\$ 10,264,546	\$ 9,683,436	\$ 8,905,082	\$ 9,099,199
Support services:				
Student services	497,687	414,230	429,335	339,021
Instructional staff services	1,062,218	530,699	554,042	408,158
Administration services	1,441,608	1,332,379	1,099,365	1,009,887
Operation and maintenance of plant services	1,160,954	1,068,259	1,046,250	987,515
Transportation services	439,476	577,204	443,561	396,293
Non-instructional programs	1,558	8,733	1,474	-
Other expenditures:				
Facilities acquisition	299,440	1,449,724	425,213	704,941
Long-term debt:				
Principal	282,699	235,000	100,000	100,000
Interest and fiscal charges	16,261	40,470	14,836	12,787
AEA flowthrough	524,432	497,369	465,666	443,869
Total expenditures	\$ 15,990,879	\$ 15,837,503	\$ 13,484,824	\$ 13,501,670

See accompanying independent auditor's report.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Agriculture:			
Team Nutrition Grant	10.554	FY 08	\$ <u>500</u>
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	30,655
National School Lunch Program	10.555	FY 08	185,006
National School Lunch Program (non-cash)	10.555	FY 08	<u>42,623</u>
			<u>258,284</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3105G	<u>155,098</u>
Title I Program for Neglected and Delinquent Children	84.013	3105D	<u>43,415</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>5,013</u>
State Grants for Innovative Programs	84.298	FY 08	<u>1,888</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>67,927</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>9,940</u>
Area Education Agency 267:			
Special Education - Grants to States	84.027	FY 08	<u>79,037</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	<u>13,069</u>
Total			\$ <u><u>634,171</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Independence Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Board of Education of
Independence Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Independence Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08, II-B-08, II-C-08 and II-D-08 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Independence Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Independence Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Independence Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Independence Community School District and other parties to whom Independence Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Independence Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 27, 2009

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

To the Board of Education of
Independence Community School District:

Compliance

We have audited the compliance of Independence Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Independence Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Independence Community School District's management. Our responsibility is to express an opinion on Independence Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independence Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Independence Community School District's compliance with those requirements.

In our opinion, Independence Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Independence Community School District and other parties to whom Independence Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 27, 2009

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Independence Community School District did not qualify as a low-risk auditee.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts preparation, the posting of the cash receipts to the cash receipts journal, and bank reconciliations were all done by the same person. Also, the recording, preparing and signing of checks were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-08 Bank Reconciliations – We noted that bank reconciliations were prepared for the checking accounts but not for the savings accounts. This led to several transactions recorded incorrectly and unreconciled cash differences. We noted \$107,003 of receipts that were recorded twice, \$1,712 of unrecorded interest, \$2,375 of disbursements that were recorded twice, and \$58,098 of checks that were not posted to the general ledger. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger monthly in the future. This allows the District to timely detect and correct errors and omissions.

Response – Bank reconciliations for all accounts will be tied to the general ledger monthly in the future. Any differences will be investigated and corrected timely. The \$58,098 of checks not posted to the general ledger was due to a software error which was later corrected by the software vendor once it was brought to their attention by our auditor. Previous to the 2007-2008 fiscal year the books had not been completely balanced for several years. The 2007-2008 year was a continuation of balancing until we were current. This audit comment is recognized by the District and taken with extreme seriousness. We are currently balancing monthly and feel that the 2008-2009 fiscal year will produce clean and updated books.

Conclusion – Response accepted.

II-C-08 Financial Reporting – During the audit, we identified material amounts of revenues, receivables, payables and capital assets depreciation expense not recorded properly in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all revenues, receivables, payables and capital assets depreciation expense are identified and included in the District's financial statements.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

II-C-08 Financial Reporting (continued)

Response – We will double check these in the future to avoid missing or recording incorrectly any revenues, receivables, payables or capital asset transactions. All Independence staff members are currently in the process of being educated in GAAP accounting. We have also put a new purchase order procedure in place. The implementation of these two procedures should allow the District to rid itself of this type of comment in time.

Conclusion – Response accepted.

II-D-08 Payroll Overpayment – We noted an employee who was overpaid by \$72,700 in June 2008. This error was caught by the employee and corrected by the District in the same month.

Recommendation – The District should establish review procedures to check payroll reports prior to the checks and direct deposits being issued.

Response – The district caught and corrected the error immediately upon payroll run. The District takes the stance that mistakes will happen. We recognize this was considered a “material” amount worthy of an audit comment. However, if caught and corrected by the District, not the auditors, it is proof that we have internal controls in place and we feel the system is working.

Conclusion – Response acknowledged, however, our audit findings found the error was brought to the attention of the District by the employee who had questioned the large amount being direct deposited in their bank account. So the error was not corrected immediately upon payroll run as the District’s response indicates. Quarterly payroll reports were also filed with this mistake forcing the District to file for a refund of payroll taxes which further indicates it was not immediately caught by the District upon payroll run.

II-E-08 Fundraisers – We noted inadequate controls over fundraisers. Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of fundraiser summary form and procedures which would include approval for all fundraisers and review of supporting documentation in order to account for the completeness and accuracy of revenues recorded and deposited.

Response – We have put a fundraiser form into place for fiscal year 2008-2009 which will be filled out by sponsor, activities director and superintendent, then placed before the Board of Education for approval.

A fundraiser follow up form is also being implemented.

We have cleaned up the activity fund according to Department of Education rules and continue to improve the monitoring of all fundraising activity.

Conclusion – Response accepted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

II-F-08 Interest Revenue – We noted that the interest revenue on a Capital Projects Fund certificate of deposit was recorded in the Special Revenue, Physical Plant and Equipment Levy Fund. Adjustments were subsequently made by the District to correct this in the financial statements upon our recommendation.

Recommendation – The District should establish procedures to make sure all revenues are recorded in the proper fund.

Response – We will make sure all revenues are properly recorded in the future.

Conclusion – Response accepted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2007 was understated. The District’s certified enrollment count omitted 18 Four Oaks students and 1 other resident student from line 1. This resulted in understating the total actual enrollment on line 7 by 19 students.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.
- IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.