

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

JUNE 30, 2009

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Independence Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education
(Before September 2008 Election)

Dawnye Sturtz	President	2008
Kevin Robb	Vice President	2009
John Christensen	Board Member	2008
Joe Olson	Board Member	2008
Charlie McCardle	Board Member	2011

Board of Education
(After September 2008 Election)

Dawnye Sturtz	President	2011
Charlie McCardle	Vice President	2011
Kathryn Jensen	Board Member	2009
Kevin Robb	Board Member	2009
John Christensen	Board Member	2011

School Officials

Devin Embray	Superintendent	2009
Charmaine Wickwire	Board Secretary/Treasurer	2009
Steven Weidner	Attorney	Indefinite
Ronald Peeler	Attorney	Indefinite
Timothy Luce	Attorney	Indefinite

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Independence Community School District:

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Independence Community School District, Independence, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Independence Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2010 on our consideration of the Independence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 44 through 46 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Independence Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (which are not presented herein) and

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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 and 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,521,765 in fiscal 2008 to \$14,009,591 in fiscal 2009, while General Fund expenditures increased from \$13,902,300 in fiscal 2008 to \$14,746,317 in fiscal 2009. The District's General Fund balance decreased from \$231,596 in fiscal 2008 to a deficit balance of \$505,130 in fiscal 2009, a 318.11% 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.
- 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 \$155,173 in fiscal year 2008 to \$96,224 in fiscal year 2009.
- The District's General Fund solvency ratio was -5.29% at June 30, 2009.

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 custodial 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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

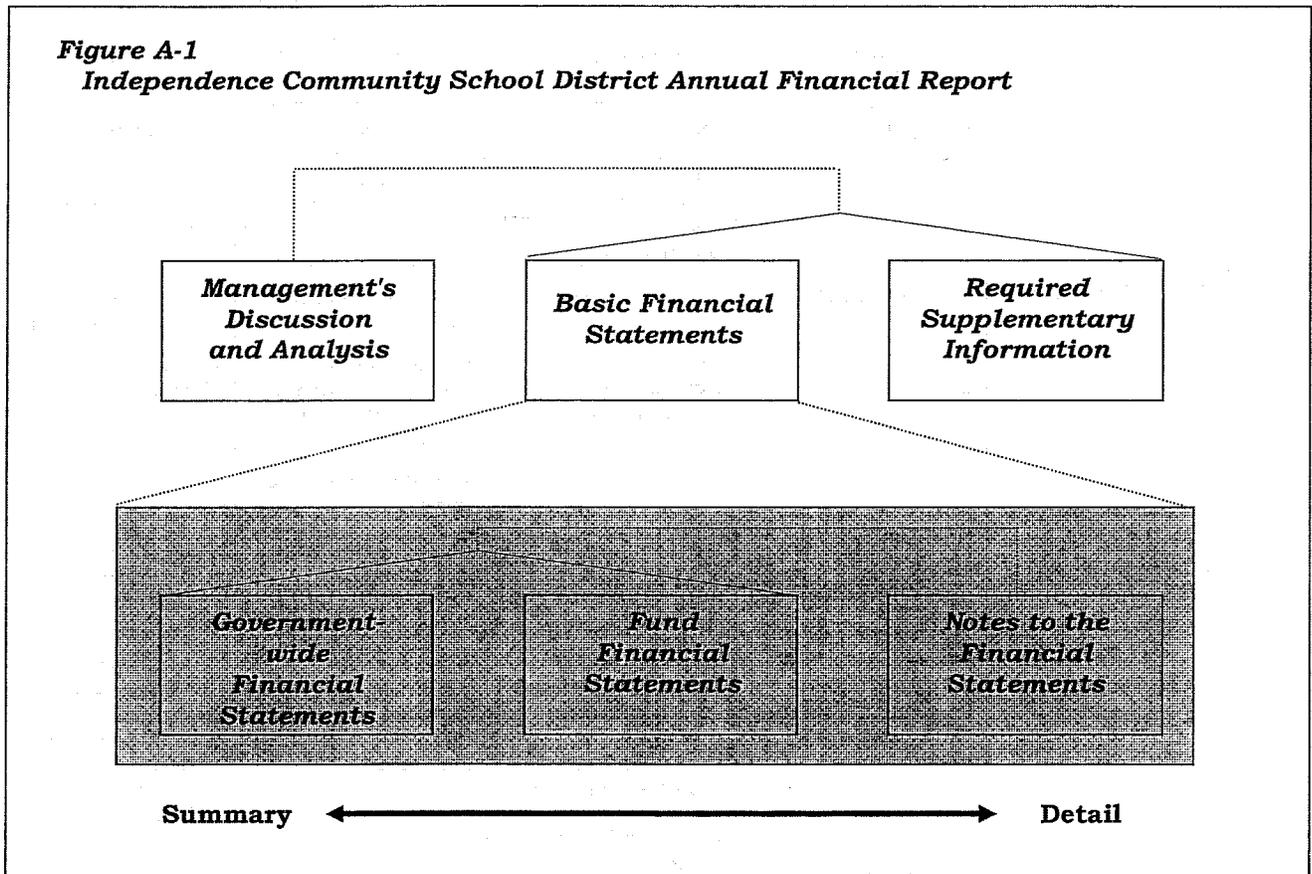


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 self-funded insurance.

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 Private Purpose Trust and Agency Funds.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 12,639,087	12,147,413	149,283	126,982	12,788,370	12,274,395	4.19%
Capital assets	6,167,667	5,938,156	62,824	62,442	6,230,491	6,000,598	3.83%
Total assets	18,806,754	18,085,569	212,107	189,424	19,018,861	18,274,993	4.07%
Long-term obligations	1,299,866	1,167,904	1,183	-	1,301,049	1,167,904	11.40%
Other liabilities	10,527,331	9,028,346	44,438	42,724	10,571,769	9,071,070	16.54%
Total liabilities	11,827,197	10,196,250	45,621	42,724	11,872,818	10,238,974	15.96%
Net assets:							
Invested in capital assets, net of related debt	5,518,333	5,228,156	62,824	62,442	5,581,157	5,290,598	5.49%
Restricted	1,941,912	1,994,549	-	-	1,941,912	1,994,549	-2.64%
Unrestricted	(480,688)	666,614	103,662	84,258	(377,026)	750,872	-150.21%
Total net assets	\$ 6,979,557	7,889,319	166,486	146,700	7,146,043	8,036,019	-11.07%

The District's combined net assets decreased by 11.07%, or \$889,976, 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 decreased \$52,637, or 2.64% over the prior year.

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 \$1,127,898, or 150.21%. This decrease in unrestricted net assets was a result of the District’s decrease in the General Fund balance, as well as increased early retirement long-term debt.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 1,353,096	1,344,453	355,450	336,470	1,708,546	1,680,923	1.64%
Operating grants and contributions and restricted interest	2,266,936	1,938,343	282,162	265,652	2,549,098	2,203,995	15.66%
General revenues:							
Property tax	4,304,009	4,087,157	-	-	4,304,009	4,087,157	5.31%
Income surtax	569,177	639,631	-	-	569,177	639,631	-11.01%
Statewide sales and service tax	826,054	820,800	-	-	826,054	820,800	0.64%
Unrestricted state grants	6,531,323	6,516,575	-	-	6,531,323	6,516,575	0.23%
Other	194,400	354,980	1,145	1,269	195,545	356,249	-45.11%
Total revenues	16,044,995	15,701,939	638,757	603,391	16,683,752	16,305,330	2.32%
Program expenses:							
Governmental activities:							
Instruction	11,716,080	10,238,608	51	9	11,716,131	10,238,617	14.43%
Support services	3,887,012	4,711,827	1,055	3,975	3,888,067	4,715,802	-17.55%
Non-instructional programs	1,440	1,558	621,765	582,211	623,205	583,769	6.76%
Other expenses	1,346,325	1,028,970	-	-	1,346,325	1,028,970	30.84%
Total expenses	16,950,857	15,980,963	622,871	586,195	17,573,728	16,567,158	6.08%
Change in net assets before transfers	(905,862)	(279,024)	15,886	17,196	(889,976)	(261,828)	239.91%
Transfers	(3,900)	-	3,900	-	-	-	0.00%
Change in net assets before special item	(909,762)	(279,024)	19,786	17,196	(889,976)	(261,828)	239.91%
Special items	-	18,605	-	-	-	18,605	-100.00%
Changes in net assets	(909,762)	(260,419)	19,786	17,196	(889,976)	(243,223)	265.91%
Beginning net assets	7,889,319	8,149,738	146,700	129,504	8,036,019	8,279,242	-2.94%
Ending net assets	\$ 6,979,557	7,889,319	166,486	146,700	7,146,043	8,036,019	-11.07%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 76.23% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.82% of the revenue from business type activities.

The District’s total revenues and transfers were approximately \$16.6 million of which \$16.0 million was for governmental activities and \$.6 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 2.32% increase in revenues and a 6.08% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,044,995 and expenses were \$16,950,857. In addition, there was a transfer of capital contributions to the School Nutrition Fund from the Physical Plant and Equipment Levy Fund of \$3,900.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 11,716,080	10,238,608	14.43%	8,814,238	7,609,942	15.83%
Support services	3,887,012	4,711,827	-17.51%	3,853,082	4,582,129	-15.91%
Non-instructional programs	1,440	1,558	-7.57%	1,440	1,558	-7.57%
Other expenses	1,346,325	1,028,970	30.84%	662,065	504,538	31.22%
Totals	\$ 16,950,857	15,980,963	6.07%	13,330,825	12,698,167	4.98%

- The cost financed by users of the District's programs was \$1,353,096.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,266,936.
- The net cost of governmental activities was financed with \$4,304,009 in property tax, \$569,177 in income surtax, \$826,054 in statewide sales and services tax, \$6,531,323 in unrestricted state grants, \$116,920 in interest income and \$77,480 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$638,757 and expenses were \$622,871. In addition, there was a transfer of capital contributions to the School Nutrition Fund from the Physical Plant and Equipment Levy Fund of \$3,900. 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 \$1,561,686, which is less than last year's ending fund balances of \$2,599,625. However, the primary reason for the decrease in combined fund balances in fiscal 2009 is due to the increase in expenditures in the General Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$231,596 to a deficit \$505,130, due in part to the increase in state source revenues was less than the increase in negotiated salary and benefit expenditures.
- The Capital Projects Fund balance increased from \$1,448,475 in fiscal 2008 to \$1,538,621 in fiscal 2009. The increase is due to less expenditures in the current year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$146,700 at June 30, 2008 to \$166,486 at June 30, 2009, representing an increase of 13.49%.

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 \$1,043,406 less than budgeted revenues, a variance of 6.25%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. Total expenditures were less than budgeted, primarily to the District's budget for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$6.2 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 increase of 3.69% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$310,954.

The original cost of the District's capital assets was \$12.2 million. Governmental funds account for \$11.9 million with the remainder of \$0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$563,662 at June 30, 2008, compared to \$745,080 reported at June 30, 2009. This significant increase resulted from the purchasing of new equipment during the year. New equipment purchases included two pickups, two buses, van, special education van, lawn tractor, skid loader, lathe and a teachsmart learning system.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Land	\$ 1,141,353	1,141,353	-	-	1,141,353	1,141,353	0.00%
Construction in progress	229,618	54,578	-	-	229,618	54,578	76.23%
Buildings	3,871,543	4,009,781	-	-	3,871,543	4,009,781	-3.57%
Land improvements	242,897	231,224	-	-	242,897	231,224	4.81%
Machinery and equipment	682,256	501,220	62,824	62,442	745,080	563,662	24.35%
Total	\$ 6,167,667	5,938,156	62,824	62,442	6,230,491	6,000,598	3.69%

Long-Term Debt

At June 30, 2009, the District had \$1,301,049 in general obligation and other long-term debt outstanding. This represents an increase of 11.40% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Revenue Bond indebtedness at June 30, 2009 of \$480,000 payable from the Capital Project Fund.

The District had total outstanding Capital Lease indebtedness at June 30, 2009 of \$169,334 payable from the Capital Projects Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Levy Fund of \$548,792 at June 30, 2009.

The District had total outstanding Compensated Absences payable from the General Fund of \$55,469 at June 30, 2009.

The District had outstanding Net OPEB liability at June 30, 2009 of \$47,454. This is due to the implementation to GASB Statement 45. More information is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
General Obligation Bonds	\$ -	85,000	-	-	-	85,000	-100.00%
Revenue Bonds	480,000	625,000	-	-	480,000	625,000	-23.20%
Capital Lease	169,334	330,697	-	-	169,334	330,697	-48.79%
Early Retirement	548,792	89,358	-	-	548,792	89,358	514.15%
Compensated Absences	55,469	37,849	-	-	55,469	37,849	46.55%
Net OPEB liability	46,271	-	1,183	-	47,454	-	100.00%
Totals	\$ 1,299,866	1,167,904	1,183	-	1,301,049	1,167,904	11.40%

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 2008 of 13.5 students. In addition, the district experienced a significant enrollment decline in the fall of 2009 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, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 3,675,519	\$ -	\$ 3,675,519
Other	2,827,272	130,745	2,958,017
Receivables:			
Property tax:			
Delinquent	61,776	-	61,776
Succeeding year	4,804,809	-	4,804,809
Income surtax	535,445	-	535,445
Accounts	15,854	-	15,854
Accrued ISCAP interest	9,087	-	9,087
Due from other governments	709,325	-	709,325
Inventories	-	18,538	18,538
Capital assets not being depreciated:			
Land	1,141,353	-	1,141,353
Construction in progress	229,618	-	229,618
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	3,871,543	-	3,871,543
Land improvements	242,897	-	242,897
Machinery and equipment	682,256	62,824	745,080
TOTAL ASSETS	18,806,754	212,107	19,018,861
LIABILITIES			
Accounts payable	581,644	1,342	582,986
Salaries and benefits payable	1,362,300	36,785	1,399,085
ISCAP warrants payable	3,621,000	-	3,621,000
ISCAP accrued interest payable	13,203	-	13,203
ISCAP unamortized premiums payable	62,205	-	62,205
Interest payable	10,966	-	10,966
Deferred revenue:			
Succeeding year property tax	4,804,809	-	4,804,809
Other	71,204	-	71,204
Unearned revenue	-	6,311	6,311
Long-term liabilities:			
Portion due within one year:			
Bonds payable	155,000	-	155,000
Capital lease payable	169,334	-	169,334
Early retirement payable	157,234	-	157,234
Compensated absences payable	55,469	-	55,469
Portion due after one year:			
Bonds payable	325,000	-	325,000
Early retirement payable	391,558	-	391,558
Net OPEB liability	46,271	1,183	47,454
TOTAL LIABILITIES	11,827,197	45,621	11,872,818
NET ASSETS			
Invested in capital assets, net of related debt	5,518,333	62,824	5,581,157
Restricted for:			
Debt service	21,882	-	21,882
Categorical funding	235,652	-	235,652
Capital projects	1,538,621	-	1,538,621
Physical plant and equipment levy	43,107	-	43,107
Other special revenue purposes	102,650	-	102,650
Unrestricted	(480,688)	103,662	(377,026)
TOTAL NET ASSETS	\$ 6,979,557	\$ 166,486	\$ 7,146,043

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 6,294,250	357,041	1,221,697	(4,715,512)	-	(4,715,512)
Special	3,237,209	629,848	80,027	(2,527,334)	-	(2,527,334)
Other	2,184,621	351,991	261,238	(1,571,392)	-	(1,571,392)
	<u>11,716,080</u>	<u>1,338,880</u>	<u>1,562,962</u>	<u>(8,814,238)</u>	<u>-</u>	<u>(8,814,238)</u>
Support services:						
Student	517,007	-	-	(517,007)	-	(517,007)
Instructional staff	484,716	-	-	(484,716)	-	(484,716)
Administration	1,293,000	-	-	(1,293,000)	-	(1,293,000)
Operation and maintenance of plant	1,081,190	-	-	(1,081,190)	-	(1,081,190)
Transportation	511,099	14,216	19,714	(477,169)	-	(477,169)
	<u>3,887,012</u>	<u>14,216</u>	<u>19,714</u>	<u>(3,853,082)</u>	<u>-</u>	<u>(3,853,082)</u>
Non-instructional programs	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>(1,440)</u>	<u>-</u>	<u>(1,440)</u>
Other expenditures:						
Facilities acquisitions	217,856	-	-	(217,856)	-	(217,856)
Long-term debt interest	197,687	-	-	(197,687)	-	(197,687)
Judgment against LEA	173,805	-	130,000	(43,805)	-	(43,805)
AEA flowthrough	554,260	-	554,260	-	-	-
Depreciation(unallocated)*	202,717	-	-	(202,717)	-	(202,717)
	<u>1,346,325</u>	<u>-</u>	<u>684,260</u>	<u>(662,065)</u>	<u>-</u>	<u>(662,065)</u>
Total governmental activities	<u>16,950,857</u>	<u>1,353,096</u>	<u>2,266,936</u>	<u>(13,330,825)</u>	<u>-</u>	<u>(13,330,825)</u>
Business Type activities:						
Instruction:						
Regular	51	-	-	-	(51)	(51)
Support services:						
Administration	40	-	-	-	(40)	(40)
Operation and maintenance of plant	1,015	-	-	-	(1,015)	(1,015)
Non-instructional programs:						
Food service operations	621,765	355,450	282,162	-	15,847	15,847
Total business type activities	<u>622,871</u>	<u>355,450</u>	<u>282,162</u>	<u>-</u>	<u>14,741</u>	<u>14,741</u>
Total primary government	<u>\$ 17,573,728</u>	<u>1,708,546</u>	<u>2,549,098</u>	<u>(13,330,825)</u>	<u>14,741</u>	<u>(13,316,084)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,985,217	-	3,985,217
Debt service				86,164	-	86,164
Capital outlay				232,628	-	232,628
Income surtax				569,177	-	569,177
Statewide sales and services tax				826,054	-	826,054
Unrestricted state grants				6,531,323	-	6,531,323
Unrestricted investment earnings				116,920	1,145	118,065
Other general revenues				77,480	-	77,480
Total general revenues				<u>12,424,963</u>	<u>1,145</u>	<u>12,426,108</u>
Changes in net assets before transfers				<u>(905,862)</u>	<u>15,886</u>	<u>(889,976)</u>
Transfers				<u>(3,900)</u>	<u>3,900</u>	<u>-</u>
Changes in net assets				<u>(909,762)</u>	<u>19,786</u>	<u>(889,976)</u>
Net assets beginning of year				<u>7,889,319</u>	<u>146,700</u>	<u>8,036,019</u>
Net assets end of year				<u>\$ 6,979,557</u>	<u>166,486</u>	<u>7,146,043</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 3,675,519	\$ -	\$ -	\$ 3,675,519
Other	820,208	1,440,376	541,097	2,801,681
Receivables:				
Property tax				
Delinquent	52,451	-	9,325	61,776
Succeeding year	4,049,452	-	755,357	4,804,809
Income surtax	535,445	-	-	535,445
Accounts	8,201	-	7,653	15,854
Accrued ISCAP interest	9,087	-	-	9,087
Due from other governments	553,054	156,271	-	709,325
TOTAL ASSETS	\$ 9,703,417	\$ 1,596,647	\$ 1,313,432	\$ 12,613,496
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 493,738	\$ 58,026	\$ 29,880	\$ 581,644
Salaries and benefits payable	1,362,300	-	-	1,362,300
ISCAP warrants payable	3,621,000	-	-	3,621,000
ISCAP accrued interest payable	13,203	-	-	13,203
ISCAP unamortized premiums payable	62,205	-	-	62,205
Deferred revenue:				
Succeeding year property tax	4,049,452	-	755,357	4,804,809
Income surtax	535,445	-	-	535,445
Other	71,204	-	-	71,204
Total liabilities	10,208,547	58,026	785,237	11,051,810
Fund balances:				
Reserved for:				
Debt service	-	-	21,882	21,882
Categorical funding	235,652	-	-	235,652
Unreserved	(740,782)	1,538,621	506,313	1,304,152
Total fund balances	(505,130)	1,538,621	528,195	1,561,686
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,703,417	\$ 1,596,647	\$ 1,313,432	\$ 12,613,496

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds(page 20)	\$ 1,561,686
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,167,667
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.	(10,966)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	25,591
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	535,445
Long-term liabilities, including bonds payable, capital lease payable, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,299,866)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 6,979,557</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,231,189	\$ 826,054	\$ 641,997	\$ 5,699,240
Tuition	925,280	-	-	925,280
Other	274,044	5,167	561,671	840,882
State sources	8,060,187	-	515	8,060,702
Federal sources	518,891	-	-	518,891
Total revenues	<u>14,009,591</u>	<u>831,221</u>	<u>1,204,183</u>	<u>16,044,995</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,523,098	78,846	211,770	5,813,714
Special	3,243,999	-	-	3,243,999
Other	1,686,796	-	496,030	2,182,826
	<u>10,453,893</u>	<u>78,846</u>	<u>707,800</u>	<u>11,240,539</u>
Support services:				
Student	515,751	-	-	515,751
Instructional staff	470,562	-	13,440	484,002
Administration	1,337,138	-	1,214	1,338,352
Operation and maintenance of plant	971,126	24,164	108,962	1,104,252
Transportation	442,147	-	175,408	617,555
	<u>3,736,724</u>	<u>24,164</u>	<u>299,024</u>	<u>4,059,912</u>
Non-instructional programs	<u>1,440</u>	<u>-</u>	<u>-</u>	<u>1,440</u>
Other expenditures:				
Facilities acquisitions	-	287,283	171,608	458,891
Long-term debt:				
Principal	-	-	391,363	391,363
Interest and fiscal charges	-	-	202,724	202,724
Judgments against LEA	-	-	173,805	173,805
AEA flowthrough	554,260	-	-	554,260
	<u>554,260</u>	<u>287,283</u>	<u>939,500</u>	<u>1,781,043</u>
Total expenditures	<u>14,746,317</u>	<u>390,293</u>	<u>1,946,324</u>	<u>17,082,934</u>
Excess(deficiency) of revenues over(under) expenditures	(736,726)	440,928	(742,141)	(1,037,939)
Other financing sources(uses):				
Transfers in	-	-	350,782	350,782
Transfers out	-	(350,782)	-	(350,782)
Total other financing sources(uses)	<u>-</u>	<u>(350,782)</u>	<u>350,782</u>	<u>-</u>
Net change in fund balances	(736,726)	90,146	(391,359)	(1,037,939)
Fund balances beginning of year	<u>231,596</u>	<u>1,448,475</u>	<u>919,554</u>	<u>2,599,625</u>
Fund balances end of year	<u>\$ (505,130)</u>	<u>\$ 1,538,621</u>	<u>\$ 528,195</u>	<u>\$ 1,561,686</u>

SEE NOTES TO BASIC 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, 2009

Net change in fund balances - total governmental funds(page 22) \$ (1,037,939)

*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 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, depreciation expense, and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 557,308	
Depreciation expense	(300,517)	
Loss on disposal of capital assets	<u>(27,280)</u>	229,511

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 391,363

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, interest expense is recognized as the interest accrues, regardless of when it is due. 5,037

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 25,591

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(459,434)	
Compensated absences	(17,620)	
Other postemployment benefits	<u>(46,271)</u>	<u>(523,325)</u>

Changes in net assets of governmental activities(page 19) \$ (909,762)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type Activities: Enterprise Fund <u>School Nutrition</u>	Governmental Activities: Internal Service Fund <u>Flex Benefit</u>
<u>ASSETS</u>		
Current assets:		
Cash and pooled investments	\$ 130,745	\$ 25,591
Inventories	18,538	-
Total current assets	<u>149,283</u>	<u>25,591</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	62,824	-
Total non-current assets	<u>62,824</u>	<u>-</u>
TOTAL ASSETS	<u>212,107</u>	<u>25,591</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,342	-
Salaries and benefits payable	36,785	-
Unearned revenue	6,311	-
Total current liabilities	<u>44,438</u>	<u>-</u>
Long-term liabilities:		
Net OPEB liability	1,183	-
Total long-term liabilities	<u>1,183</u>	<u>-</u>
TOTAL LIABILITIES	<u>45,621</u>	<u>-</u>
<u>NET ASSETS</u>		
Invested in capital assets	62,824	-
Unrestricted	103,662	25,591
Total net assets	<u>\$ 166,486</u>	<u>\$ 25,591</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund Flex Benefit
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 355,450	\$ 103,435
OPERATING EXPENSES:		
Instruction:		
Regular:		
Benefits	51	-
Total instruction	51	-
Support services:		
Student:		
Services	-	98,723
Administration:		
Services	40	-
Operation and maintenance of plant:		
Services	1,015	-
Total support services	1,055	98,723
Non-instructional programs:		
Food service operations:		
Salaries	238,088	-
Benefits	65,726	-
Services	7,503	-
Supplies	298,743	-
Depreciation	10,437	-
Other	1,268	-
Total non-instructional programs	621,765	-
TOTAL OPERATING EXPENSES	622,871	98,723
OPERATING INCOME(LOSS)	(267,421)	4,712
NON-OPERATING REVENUES:		
State sources	6,925	-
Federal sources	275,237	-
Interest on investments	1,145	79
TOTAL NON-OPERATING REVENUES	283,307	79
Change in net assets before capital contributions	15,886	4,791
Capital contributions	3,900	-
Change in net assets	19,786	4,791
Net assets beginning of year	146,700	20,800
Net assets end of year	\$ 166,486	\$ 25,591

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2009

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund Flex Benefit
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 342,655	\$ -
Cash received from miscellaneous sources	10,408	103,435
Cash payments to employees for services	(299,923)	(98,723)
Cash payments to suppliers for goods or services	(259,942)	-
Net cash provided by(used in) operating activities	<u>(206,802)</u>	<u>4,712</u>
Cash flows from non-capital financing activities:		
State grants received	6,925	-
Federal grants received	224,875	-
Net cash provided by non-capital financing activities	<u>231,800</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,919)	-
Net cash used in capital and related financing activities	<u>(6,919)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,145	79
Net cash provided by investing activities	<u>1,145</u>	<u>79</u>
Net increase in cash and cash equivalents	19,224	4,791
Cash and cash equivalents at beginning of year	<u>111,521</u>	<u>20,800</u>
Cash and cash equivalents at end of year	<u>\$ 130,745</u>	<u>\$ 25,591</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2009

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund Flex Benefit
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (267,421)	\$ 4,712
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	50,362	-
Depreciation	10,437	-
Increase in inventories	(3,077)	-
Increase in accounts payable	1,342	-
Increase in salaries and benefits payable	2,759	-
Decrease in unearned revenue	(2,387)	-
Increase in other postemployment benefits	1,183	-
Net cash provided by(used in) operating activities	\$ (206,802)	\$ 4,712

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:		
Cash and investments	\$ 130,745	\$ 25,591

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$50,362.

During the year ended June 30, 2009, the District received capital contributions from the Physical Plant and Equipment Levy Fund of \$3,900.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 6,315
Accounts receivable	74
TOTAL ASSETS	<u>6,389</u>
LIABILITIES	
Due to other groups	<u>6,389</u>
TOTAL LIABILITIES	<u>6,389</u>
NET ASSETS	<u>\$ -</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	500
Total additions		500
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		500
Total deductions		500
Change in net assets		-
Net assets beginning of year		-
Net assets end of year	\$	-

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies

The 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 the predominate 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 Government 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 do 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 and Benton County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 support.

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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 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 that are 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 Government-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 other 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 receipts that are 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 expenses, 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 also 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, Flex Benefit 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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, 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.

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 fund of the District applies 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 nonoperating 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 nonoperating 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.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 and non-negotiable certificates of deposit which are stated at cost.

For purpose 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, they have a maturity date no longer than three months.

Property Taxes - Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the government-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
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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 (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-50 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2009, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2009.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

Long-term Liabilities - In the government-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.

Fund Equity - 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.

Restricted Net Assets - In the government-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 consists of \$21,882 for debt service, \$235,652 for categorical funding, \$1,538,621 for capital projects, \$43,107 for physical plant and equipment levy, \$246,828 for management levy and \$102,650 for other special revenue purposes (student activity fund).

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

Budgeting and Budgetary Control - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended, June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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.

The District had no investments at June 30, 2009.

Note 3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 2,729,545	\$ 8,750	\$ 2,687,000	\$ 12,283
2009-10A	6/25/09	6/23/10	945,974	337	934,000	920
Total			<u>\$ 3,675,519</u>	<u>\$ 9,087</u>	<u>\$ 3,621,000</u>	<u>\$ 13,203</u>

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. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ -	\$ 1,350,000	\$ 1,350,000	\$ -

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	0.542%	0.902%

Note 4. Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 350,782</u>

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

Note 5. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,141,353	-	-	1,141,353
Construction in progress	54,578	175,040	-	229,618
Total capital assets not being depreciated	<u>1,195,931</u>	<u>175,040</u>	<u>-</u>	<u>1,370,971</u>
Capital assets being depreciated:				
Buildings	7,822,876	1	-	7,822,877
Land improvements	1,063,783	62,094	-	1,125,877
Machinery and equipment	1,407,392	320,173	147,522	1,580,043
Total capital assets being depreciated	<u>10,294,051</u>	<u>382,268</u>	<u>147,522</u>	<u>10,528,797</u>
Less accumulated depreciation for:				
Buildings	3,813,095	138,239	-	3,951,334
Land improvements	832,559	50,421	-	882,980
Machinery and equipment	906,172	111,857	120,242	897,787
Total accumulated depreciation	<u>5,551,826</u>	<u>300,517</u>	<u>120,242</u>	<u>5,732,101</u>
Total capital assets being depreciated, net	<u>4,742,225</u>	<u>81,751</u>	<u>27,280</u>	<u>4,796,696</u>
Governmental activities capital assets, net	<u>\$ 5,938,156</u>	<u>256,791</u>	<u>27,280</u>	<u>6,167,667</u>
<hr/>				
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 263,395	10,819	10,300	263,914
Less accumulated depreciation	200,953	10,437	10,300	201,090
Business type activities capital assets, net	<u>\$ 62,442</u>	<u>382</u>	<u>-</u>	<u>62,824</u>
<hr/>				
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 15,550
Special				1,750
Other				590
Support services:				
Administration				558
Operation and maintenance of plant services				6,417
Transportation				72,935
				<u>97,800</u>
Unallocated depreciation				<u>202,717</u>
Total governmental activities depreciation expense				<u>\$ 300,517</u>
Business type activities:				
Food services				<u>\$ 10,437</u>

Note 6. Long-Term Debt

A summary of changes in long-term debt for business type activities and governmental activities for the year ended June 30, 2009 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ -
Revenue Bonds	625,000	-	145,000	480,000	155,000
Capital Lease	330,697	-	161,363	169,334	169,334
Early Retirement	89,358	548,792	89,358	548,792	157,234
Compensated Absences	37,849	55,469	37,849	55,469	55,469
Net OPEB Liability	-	46,271	-	46,271	-
Total	<u>\$ 1,167,904</u>	<u>\$ 650,532</u>	<u>\$ 518,570</u>	<u>\$ 1,299,866</u>	<u>\$ 537,037</u>
Business Type Activities:					
Net OPEB Liability	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>

Bonded debt

On May 1, 2006, the District issued statewide sales and service tax revenue bonds of \$760,000 to finance school infrastructure. The revenue bonds will be paid with statewide sales and services tax collected in the Capital Projects Fund. Details of the District's June 30, 2009 statewide sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Rate	Principal	Interest	Total
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
Total		<u>\$ 480,000</u>	<u>\$ 27,581</u>	<u>\$ 507,581</u>

The District has pledged future local option sales and services tax revenues to repay the \$760,000. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2012. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$507,581. For the current year \$145,000 in principal and \$20,765 in interest was paid on the bonds and total statewide sales and services tax revenues were \$826,054.

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

- a) The bonds will only be redeemed from future earnings of the statewide 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 statewide 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.

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, 2009 capital lease indebtedness are as follows:

Year Ending June 30,	Lease Issue of April 7, 2008			
	Rate	Principal	Interest	Total
2010	4.94 %	\$ 169,334	\$ 8,365	\$ 177,699

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, 2009. 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, 2009. Early retirees can elect for retirement benefits may be placed into a 403(b) plan in July following the start of retirement. Early retirees can elect to take the incentive in a cash payment in accordance with IRS guidelines. Early retirees can elect for the District to pay up to \$500 per month for ten years toward the employee's single coverage premium as long as the employee continues to participate in the medical insurance plan in accordance with IRS guidelines. In the event that the employee is no longer permitted to continue coverage by the insurer prior to the end of said ten year period, the District will continue to pay up to \$500 per month toward the employee's Medicare/Medicaid and supplemental health insurance coverage by use of an HRA or similar plan for the remainder of said ten year period, or upon death, whichever occurs first, all in accordance with IRS guidelines.

At June 30, 2009, the District has obligations to thirteen participants with a total liability of \$548,792. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$89,358. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 184 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,454
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>47,454</u>
Contributions made	-
Increase in net OPEB obligation	<u>47,454</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 47,454</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$28,713 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 76,167	37.7%	\$ 47,454

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$616,003 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$616,003. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,821,374, and the ratio of the UAAL to covered payroll was 7.9%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present

multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Current claim costs of the medical plan are as follows: Plan 1 single for \$471.85 per month; Plan 1 family for \$1,179.63 per month; Plan 2 single for \$450.45 per month; Plan 2 family for \$1,126.13 per month; Plan 3 single for \$374.88 per month; and Plan 3 family for \$937.20 per month. Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$559,489, \$501,615 and \$447,384 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

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 \$554,260 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District has active construction projects as of June 30, 2009. The projects include a phone system upgrade, new High School construction project, West Elementary bathroom project, and Middle School boiler replacement project. As of June 30, 2009, costs of \$229,618 had been incurred as part of the construction projects. The projects will continue in the 2009-10 school year and will be capitalized upon completion.

Note 12. Deficit Balances

The District had a deficit unreserved fund balance in the General Fund of \$740,782. The District had deficit unrestricted net assets in the Governmental Activities of \$480,688. We also noted the High School Activity account in the Special Revenue, Student Activity Fund with a deficit balance of \$9,685.

Note 13. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 10,905
Limited english proficiency weighting	4,159
At-risk supplemental weighting	34,428
Gifted and talented	57,688
Salary improvement program	288
Educator quality, professional development	41,843
Educator quality, market factor	5,221
Educator quality, model core curriculum	23,767
Phase II	4,704
Beginning teacher mentoring and induction program	3,462
Professional development	30,818
Juvenile court liason	18,369
	<hr/>
Total reserved for cateforical funding	<u>\$ 235,652</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, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 7,465,402	\$ 356,595	\$ 7,821,997	\$ 8,443,146	\$ 8,443,146	\$ (621,149)
State sources	8,060,702	6,925	8,067,627	8,331,012	8,331,012	(263,385)
Federal sources	518,891	275,237	794,128	953,000	953,000	(158,872)
Total revenues	16,044,995	638,757	16,683,752	17,727,158	17,727,158	(1,043,406)
Expenditures/Expenses:						
Instruction	11,240,539	51	11,240,590	10,901,566	12,401,566	1,160,976
Support services	4,059,912	1,055	4,060,967	4,404,217	4,904,217	843,250
Non-instructional programs	1,440	621,765	623,205	740,000	740,000	116,795
Other expenditures	1,781,043	-	1,781,043	2,126,788	2,126,788	345,745
Total expenditures/expenses	17,082,934	622,871	17,705,805	18,172,571	20,172,571	2,466,766
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,037,939)	15,886	(1,022,053)	(445,413)	(2,445,413)	1,423,360
Other financing sources, net	-	3,900	3,900	-	-	3,900
Excess(deficiency) of revenues and other financing sources over(under) expenditures/ expenses	(1,037,939)	19,786	(1,018,153)	(445,413)	(2,445,413)	1,427,260
Balance beginning of year	2,599,625	146,700	2,746,325	2,309,587	2,309,587	436,738
Balance end of year	\$ 1,561,686	\$ 166,486	\$ 1,728,172	\$ 1,864,174	\$ (135,826)	\$ 1,863,998

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 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 GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 \$1,190,783.

During the year ended June 30, 2009, expenditures in the other expenditures functional areas exceeded the amount budgeted.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 616,003	\$ 616,003	0.0%	\$ 7,821,374	7.9%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 358,721	\$ 107,438	\$ 54,325	\$ 520,484	\$ 20,613	\$ 541,097
Receivables:						
Property tax:						
Current year delinquent	4,629	-	3,427	8,056	1,269	9,325
Succeeding year	500,001	-	255,356	755,357	-	755,357
Accounts	-	7,653	-	7,653	-	7,653
TOTAL ASSETS	\$ 863,351	\$ 115,091	\$ 313,108	\$ 1,291,550	\$ 21,882	\$ 1,313,432
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,794	\$ 12,441	\$ 14,645	\$ 29,880	\$ -	\$ 29,880
Deferred revenue:						
Succeeding year property tax	500,001	-	255,356	755,357	-	755,357
Total liabilities	502,795	12,441	270,001	785,237	-	785,237
Fund equity:						
Fund balances:						
Reserved for debt service	-	-	-	-	21,882	21,882
Unreserved fund balances	360,556	102,650	43,107	506,313	-	506,313
	360,556	102,650	43,107	506,313	21,882	528,195
TOTAL LIABILITIES AND FUND BALANCES	\$ 863,351	\$ 115,091	\$ 313,108	\$ 1,291,550	\$ 21,882	\$ 1,313,432

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 323,205	\$ -	\$ 232,628	\$ 555,833	\$ 86,164	\$ 641,997
Other	149,092	373,393	39,186	561,671	-	561,671
State sources	264	-	183	447	68	515
TOTAL REVENUES	472,561	373,393	271,997	1,117,951	86,232	1,204,183
EXPENDITURES:						
Current:						
Instruction						
Regular instruction	164,818	-	46,952	211,770	-	211,770
Other instruction	-	493,060	2,970	496,030	-	496,030
Support services:						
Instructional staff	-	-	13,440	13,440	-	13,440
Administration	1,214	-	-	1,214	-	1,214
Operation and maintenance of plant	71,195	-	37,767	108,962	-	108,962
Transportation	14,665	-	160,743	175,408	-	175,408
Other expenditures:						
Facilities acquisition	-	-	171,608	171,608	-	171,608
Long-term Debt:						
Principal	-	-	-	-	391,363	391,363
Interest and fiscal charges	-	-	-	-	202,724	202,724
Judgments against LEA	173,805	-	-	173,805	-	173,805
TOTAL EXPENDITURES	425,697	493,060	433,480	1,352,237	594,087	1,946,324
Excess(deficiency) of revenues over(under) expenditures	46,864	(119,667)	(161,483)	(234,286)	(507,855)	(742,141)
OTHER FINANCING SOURCES:						
Transfer in	-	-	-	-	350,782	350,782
Total other financing sources	-	-	-	-	350,782	350,782
Net change in fund balances	46,864	(119,667)	(161,483)	(234,286)	(157,073)	(391,359)
FUND BALANCES BEGINNING OF YEAR	313,692	222,317	204,590	740,599	178,955	919,554
FUND BALANCES END OF YEAR	<u>\$ 360,556</u>	<u>\$ 102,650</u>	<u>\$ 43,107</u>	<u>\$ 506,313</u>	<u>\$ 21,882</u>	<u>\$ 528,195</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
INTEREST	\$ 90	\$ 994	\$ 1,084	\$ -
HIGH SCHOOL:				
DRAMA	94	-	-	94
SPEECH	876	2,777	1,183	2,470
VOCAL MUSIC	5,157	2,328	4,206	3,279
BAND	3,477	21,150	21,638	2,989
FOOTBALL CONCESSIONS	-	12,525	12,525	-
BOYS CROSS COUNTRY	2,115	586	656	2,045
BOYS BASKETBALL	208	1,266	1,370	104
FOOTBALL	2,204	6,025	5,127	3,102
BOYS SOCCER	303	2,533	1,667	1,169
BASEBALL	-	2,600	285	2,315
BOYS TRACK	442	2,663	3,005	100
BOYS TENNIS	-	1,795	947	848
BOYS GOLF	-	-	(100)	100
WRESTLING	360	2,889	2,641	608
GIRLS BASKETBALL	20	3,488	1,872	1,636
VOLEYBALL	2,294	2,197	3,025	1,466
GIRLS SOCCER	3,795	4,362	2,495	5,662
SOFTBALL	50	1,000	950	100
GIRLS TRACK	1,274	2,717	3,467	524
GIRLS TENNIS	-	932	832	100
GIRLS GOLF	1,106	750	968	888
ACTIVITY	(6)	64,287	73,966	(9,685)
CONCESSIONS	125	11,657	7,830	3,952
MUSICAL	4,555	6,499	5,252	5,802
BAND TRIP	113,632	136,982	243,564	7,050
AWARDS	500	390	390	500
YEARBOOK	17,992	13,905	25,409	6,488
STUDENT COUNCIL	5,835	7,102	6,456	6,481
FRENCH CLUB	161	-	-	161
GRADUATING CLASS	100	-	-	100
PROM	296	-	296	-
CHEERLEADERS	27	4,904	4,736	195
MIDDLE SCHOOL:				
BOYS CROSS COUNTRY	13	-	-	13
BOYS BASKETBALL	512	737	1,249	-
FOOTBALL	-	730	730	-
BOYS TRACK	175	902	1,077	-
WRESTLING	602	548	481	669
GIRLS BASKETBALL	-	376	376	-
VOLLEYBALL	-	1,056	1,056	-
GIRLS TRACK	508	2,004	2,172	340
FUNDRAISING	39,119	36,100	33,717	41,502
CONCESSIONS	2,708	-	2,708	-
BCSC	-	1,268	325	943
EAST ELEMENTARY	9,267	5,123	7,640	6,750
WEST ELEMENTARY	2,331	3,246	3,787	1,790
TOTALS	\$ 222,317	\$ 373,393	\$ 493,060	\$ 102,650

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
 AGENCY FUND

YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 6,380	1,513	1,578	6,315
Accounts receivable	-	74	-	74
	<u>\$ 6,380</u>	<u>1,587</u>	<u>1,578</u>	<u>6,389</u>
LIABILITIES				
Due to other groups	\$ 6,380	1,587	1,578	6,389
	<u>\$ 6,380</u>	<u>1,587</u>	<u>1,578</u>	<u>6,389</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 NINE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 5,699,240	5,508,630	5,260,463	5,011,553	4,665,107
Tuition	925,280	826,479	739,581	662,747	606,646
Other	840,882	1,086,553	812,275	634,415	799,629
Intermediate sources	-	-	-	-	-
State sources	8,060,702	7,801,675	7,439,792	7,073,499	6,761,303
Federal sources	518,891	443,153	951,267	656,204	685,363
Total	\$ 16,044,995	15,666,490	15,203,378	14,038,418	13,518,048
Expenditures:					
Instruction	\$ 11,240,539	10,264,546	9,683,436	8,905,082	9,099,199
Support services:					
Student	515,751	497,687	414,230	429,335	339,021
Instructional staff	484,002	1,062,218	530,699	554,042	408,158
Administration	1,338,352	1,441,608	1,332,379	1,099,365	1,009,887
Operation and maintenance of plant	1,104,252	1,160,954	1,068,259	1,046,250	987,515
Transportation	617,555	439,476	577,204	443,561	396,293
Non-instructional programs	1,440	1,558	8,733	1,474	-
Other expenditures:					
Facilities acquisitions	458,891	299,440	1,449,724	425,213	704,941
Long-term debt:					
Principal	391,363	282,699	235,000	100,000	100,000
Interest and other charges	202,724	16,261	40,470	14,836	12,787
Judgments against LEA	173,805	-	-	-	-
AEA flow-through	554,260	524,432	497,369	465,666	443,869
Total	\$ 17,082,934	15,990,879	15,837,503	13,484,824	13,501,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Modified Accrual Basis			
Years Ended June 30,			
2004	2003	2002	2001
4,467,364	4,000,592	3,744,883	3,497,093
640,397	749,227	921,262	823,463
603,915	538,604	537,907	742,341
-	-	-	12,665
6,382,559	6,493,857	6,428,492	6,763,518
919,975	513,828	485,192	492,036
<u>13,014,210</u>	<u>12,296,108</u>	<u>12,117,736</u>	<u>12,331,116</u>
8,900,972	8,374,669	8,522,007	8,388,038
357,768	335,202	314,852	336,966
330,864	291,618	271,245	280,538
1,023,851	1,010,558	1,046,219	1,029,161
986,309	996,777	818,692	947,028
372,190	401,680	279,530	359,405
4,220	4,594	4,653	3,765
360,022	230,843	101,319	176,931
95,000	105,000	105,000	154,776
15,557	38,820	37,475	46,310
-	-	-	-
450,291	480,925	482,597	506,511
<u>12,897,044</u>	<u>12,270,686</u>	<u>11,983,589</u>	<u>12,229,429</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	\$ 240,259
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	<u>34,978</u>
			<u>275,237</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	3105-G	169,082
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	3105-D	<u>57,738</u>
			<u>226,820</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	<u>67,765</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	<u>4,374</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>127,189</u>
AREA EDUCATION AGENCY 267: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>11,436</u>
SPECIAL EDUCATION CLUSTER (IDEA): SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	71,998
SPECIAL EDUCATION - GRANTS TO STATES (COMMUNICATION STRATEGIES)	84.027	FY 09	300
SPECIAL EDUCATION - GRANTS TO STATES (EVERY MOVE COUNTS)	84.027	FY 09	<u>300</u>
			<u>72,598</u>
PARENTAL ASSISTANCE CENTERS (SAI)	84.310	FY 09	<u>1,280</u>
TOTAL			<u>\$ 786,699</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Independence Community School District and is presented in conformity with 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 financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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 the
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 our 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 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 and other 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 U.S. generally accepted accounting principles 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 Independence Community School District's internal control. We consider the deficiencies in internal control described in Part I 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 item II-A-09 and II-B-09 is a material weakness.

Compliance and Other Matters

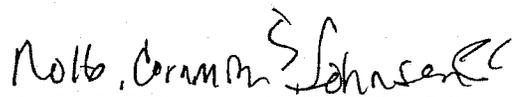
As part of obtaining reasonable assurance about whether Independence Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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 the District's operations for the year ended June 30, 2009 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. 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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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, 2009. 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 U.S. generally accepted auditing standards, 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, 2009.

Internal Control Over Compliance

The management of Independence Community School District is responsible for establishing and maintaining effective internal control over compliance with 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 Independence Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the 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 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. We consider the deficiency in internal control over compliance described in the accompany Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

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 District's internal control. We considered the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weaknesses.

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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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 a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose 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 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast 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.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash receipt preparation, the posting of the cash receipts to the cash receipts journal, and bank reconciliations were all done by the same person. In addition, 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-09 Receipting Procedures - We noted that sponsors/coaches of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses.

We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office. However, receipts do not appear to be given to sponsors/coaches turning in money. The copies of the receipts issued at the buildings are not being provided to the central office for posting and reconciling the bank statement. In addition, there does not appear to be controls in place to document monies collected and turned in from sponsors/coaches to be reconciled to the actual deposit.

Recommendation - The District needs to maintain multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or coaches submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

II-C-09 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all event admissions.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- II-D-09 Checks Written to Cash - We noted during our audit that the District wrote checks to cash for startup money for events.

Recommendation - The District should write checks to the person responsible for going to the bank to get the funds. Checks written to cash become bearer paper, meaning that anyone can cash them.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- II-E-09 Payments to Officiating Crews - We noted during our audit that the District wrote checks to one crew member of a crew of officials, rather than to individual officials.

Recommendation - The District should write individual checks to each officiating official. The District should have contracts with individuals performing services and payments should be made to the appropriate payee.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- II-G-09 Commissioners Assigning Officials - We noted during our audit that the District is using commissioners to assign officiating contracts for the District.

Recommendation - The District should have a contract for services with the commissioner that the Board allows the commissioner to enter into contracts on the District's behalf.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- II-H-09 Clothing Purchased on Coaches Credit Card - We noted during our audit that the District had a coach purchase track clothing on a personal credit card and was subsequently reimbursed for these expenses.

Recommendation - The District has policies and procedures in place for the purchasing of goods and services. These policies require the use of purchase orders and administrative approval prior to ordering. When items ordered are received, the billing is processed for payment and board approval. It would appear this individual circumvented policies and procedures in place. The coach's actions limited the District's ability to process the

purchase request. The product was received and used prior to the Board's approval of the reimbursement. This weakens the internal control. The District should review procedures in place. The District should not reimburse individuals, but rather pay vendors directly.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

II-I-09 Payroll Procedures - We noted during our audit that the District paid a mileage stipend that was not run through payroll and included on the individuals W2. We also noted a night stipend which was not reported as being subject to IPERS.

Recommendation - Mileage stipends which are part of an unaccountable plan need to be run through payroll and included on the individual's W2. If this is a reimbursement, supporting documentation should be provided for reimbursement and reviewed to verify that the expenses are part of the job. If the District maintains an accountable plan reimbursing for actual costs, the payment would not be taxable to the individuals. The night stipend paid needs to be reported as being subject to IPERS taxes.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash receipt preparation, the posting of the cash receipts to the cash receipts journal, and bank reconciliations were all done by the same person. In addition, 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.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District purchased a necklace and bracelet for a speaker's appreciation gift. This purchase does not appear to meet public purpose as defined in the Attorney General's March 2, 2010 and April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to refrain from appreciation gift purchases.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

IV-C-09 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-09 Business Transactions - Business transactions between the District and District officials are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tami Tekippe, Secretary Spouse owns Hardware Hank	Supplies	\$2,064
Tami Tekippe, Secretary Mother does sewing	Purchased services	\$15
Vern Lohman, Bus Driver Son and daughter-in-law own Vern's True Value	Supplies	\$12,982
Roger Barloon, Vocal Director Spouse owns Foxfire Jewelry Designs	Supplies	\$36

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

IV-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students on Line 1 was understated by 2 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-09 Deposits and Investments - We noted 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.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			826,054
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	196,977	
Other improvements		193,316	
Debt service for school infrastructure:			
Revenue debt		<u>350,782</u>	<u>741,075</u>
Ending balance		\$	<u>84,979</u>

IV-L-09 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District received box tops for education, read-a-thon, target donations and picture commission money, which should be recorded in the General Fund. The District has elementary fundraiser accounts that appear to be more appropriately handled in the General Fund. In addition, inactive accounts need to be reviewed and closed.

Recommendation - The District should review these accounts and record them in the General Fund. It would appear that these moneys are administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. Inactive accounts need to be reviewed for propriety and closed.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

IV-M-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

IV-N-09 Financial Condition - The District had deficit unreserved fund balance in the General Fund of \$740,782 at June 30, 2009. The District had deficit unrestricted net assets in the Governmental Activities of \$480,688 at June 30, 2009. The District had a deficit High School Activity account in the Special Revenue, Student Activity Fund of \$9,685 at June 30, 2009.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits accounts. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

IV-O-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

