

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Independence Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u> (After September 2010 Reorganizational Meeting)		
Dawnye Sturtz	President	2011
Charlie McCardle	Vice President	2011
Kathryn Jensen	Board Member	2011
Stacy Henderson	Board Member	2013
John Christensen	Board Member	2013
<u>School Officials</u>		
Jean Peterson	Superintendent	2011
Lynnette Engel	Board Secretary/Treasurer	2011
Lynch Dallas, P.C.	Attorney	Indefinite
Swisher & Cohrt, P.L.C.	Attorney	Indefinite
Ahlers & Cooney, P.C.	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, 2011, 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 opinions 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 opinions.

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, 2011 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 January 24, 2012 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.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 16 and 42 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed

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an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

January 24, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,397,735 in fiscal 2010 to \$14,767,519 in fiscal 2011, while General Fund expenditures decreased from \$14,253,637 in fiscal 2010 to \$14,091,989 in fiscal 2011. The District's General Fund balance increased from a deficit \$361,032 in fiscal 2010 to a positive balance of \$314,498 in fiscal 2011.
- The increase in General Fund revenues was attributable to an increase in state sources. The decrease in expenditures was due to the decrease in support services and instructional expenditures.
- The District's General Fund solvency ratio was -1.91% at June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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 and financial statements for the discretely presented component unit.

Other Supplementary Information provides detailed information about the nonmajor governmental 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.

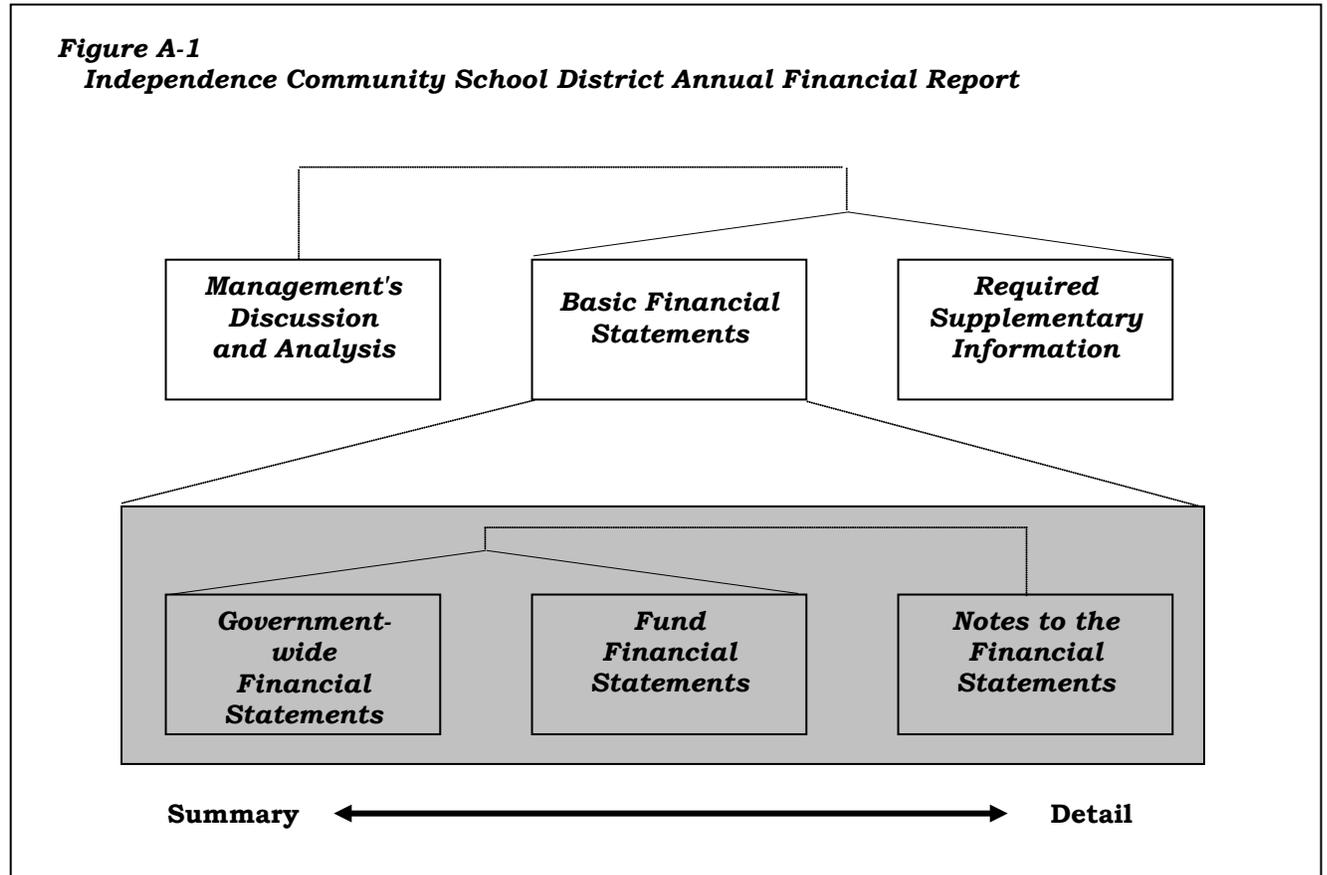


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.
- *Component unit:* The Mustang Foundation was created to financially support the Independence Community School District and post high school scholarship support to graduates of the school.

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 net assets, 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 at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 10,981,391	9,839,531	144,199	122,090	11,125,590	9,961,621	11.68%
Capital assets	6,097,916	6,150,495	38,492	47,515	6,136,408	6,198,010	-0.99%
Total assets	17,079,307	15,990,026	182,691	169,605	17,261,998	16,159,631	6.82%
Long-term obligations	738,973	1,036,086	4,028	2,744	743,001	1,038,830	-28.48%
Other liabilities	7,303,690	6,921,809	41,378	39,633	7,345,068	6,961,442	5.51%
Total liabilities	8,042,663	7,957,895	45,406	42,377	8,088,069	8,000,272	1.10%
Net assets:							
Invested in capital assets, net of related debt	5,932,916	5,825,495	38,492	47,515	5,971,408	5,873,010	1.68%
Restricted	2,958,223	2,661,426	-	-	2,958,223	2,661,426	11.15%
Unrestricted	145,505	(454,790)	98,793	79,713	244,298	(375,077)	165.13%
Total net assets	\$ 9,036,644	8,032,131	137,285	127,228	9,173,929	8,159,359	12.43%

The District's combined net assets increased by 12.43%, or \$1,014,570, from 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$296,797, or 11.15% from the prior year. This was the result of an increase in the categorical funding carried over and increases in the Statewide Sales, Services and Use Tax and Student Activity Funds

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 – increased \$619,375, or 165.13%. This increase in unrestricted net assets was a result of the District's increase in the General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change 2010-11
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,173,894	1,156,238	306,969	311,604	1,480,863	1,467,842	0.89%
Operating grants and contributions and restricted interest	2,530,084	3,414,053	302,488	296,873	2,832,572	3,710,926	-23.67%
General revenues:							
Property tax	4,856,862	4,831,068	-	-	4,856,862	4,831,068	0.53%
Income surtax	611,152	585,515	-	-	611,152	585,515	4.38%
Statewide sales, services and use tax	841,898	931,307	-	-	841,898	931,307	-9.60%
Unrestricted state grants	6,251,644	5,390,985	-	-	6,251,644	5,390,985	15.96%
Non specific program federal revenues	223,074	-	-	-	223,074	-	100.00%
Other	91,492	195,165	9,591	11,985	101,083	207,150	-51.20%
Transfers	-	(8,995)	-	8,995	-	-	0.00%
Total revenues	16,580,100	16,495,336	619,048	629,457	17,199,148	17,124,793	0.43%
Program expenses:							
Governmental activities:							
Instruction	10,703,011	10,737,606	-	-	10,703,011	10,737,606	-0.32%
Support services	3,963,968	3,594,212	10,296	2,672	3,974,264	3,596,884	10.49%
Non-instructional programs	1,724	1,334	598,695	666,043	600,419	667,377	-10.03%
Other expenses	906,884	1,109,610	-	-	906,884	1,109,610	-18.27%
Total expenses	15,575,587	15,442,762	608,991	668,715	16,184,578	16,111,477	0.45%
Changes in net assets	1,004,513	1,052,574	10,057	(39,258)	1,014,570	1,013,316	0.12%
Beginning net assets, as restated	8,032,131	6,979,557	127,228	166,486	8,159,359	7,146,043	14.18%
Ending net assets	\$ 9,036,644	8,032,131	137,285	127,228	9,173,929	8,159,359	12.43%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.76% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.45% of the revenue from business type activities.

The District's total revenues were approximately \$17.20 million of which \$16.58 million was for governmental activities and \$0.62 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a less than 1% increase in revenues and a less than 1% increase in expenses. The increase in expenses is related to an increase in support service expenses.

Governmental Activities

Revenues for governmental activities were \$16,580,100 and expenses were \$15,575,587.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 10,703,011	10,737,606	-0.32%	7,654,982	6,862,055	11.56%
Support services	3,963,968	3,594,212	10.29%	3,960,787	3,578,454	10.68%
Non-instructional programs	1,724	1,334	29.24%	1,724	1,334	29.24%
Other expenses	906,884	1,109,610	-18.27%	254,116	430,628	-40.99%
Totals	\$ 15,575,587	15,442,762	0.86%	11,871,609	10,872,471	9.19%

- The cost financed by users of the District's programs was \$1,173,894.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,530,084.
- The net cost of governmental activities was financed with \$4,856,862 in property tax, \$611,152 in income surtax, \$841,898 in statewide sales, services and use tax, \$6,251,644 in unrestricted state grants, \$223,074 in nonspecific program federal revenues, \$18,256 in interest income and \$73,236 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$619,048 and expenses were \$608,991. 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 \$3,057,392, which is more than last year's ending fund balances of \$2,321,548. This increase primarily a result of the increase in the General Fund balance

Governmental Fund Highlights

- The General Fund balance increased from a deficit \$361,032 to a positive \$314,498, due in part to the increase in state source revenues along with a decrease in support services and instructional expenditures.
- The Capital Projects Fund balance increased from a restated balance of \$1,865,166 at the beginning of the fiscal year 2011 to \$1,946,398. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. Although revenues decreased and expenditures increased during as compared to 2010, revenues still exceeded expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$127,228 at June 30, 2010 to \$137,285 at June 30, 2011, representing an increase of 7.90%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,084,000 less than budgeted revenues, a variance of 5.93%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6.14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.00% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$437,010.

The original cost of the District's capital assets was \$12.78 million. Governmental funds account for \$12.55 million with the remainder of \$0.23 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$77,630 at June 30, 2010, compared to \$54,578 reported at June 30, 2011. This significant decrease resulted from the completion of the middle school heating project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 1,141,353	1,141,353	-	-	1,141,353	1,141,353	0.00%
Construction in progress	54,578	77,630	-	-	54,578	77,630	-42.24%
Buildings	4,060,857	3,977,573	-	-	4,060,857	3,977,573	2.05%
Land improvements	164,871	203,726	-	-	164,871	203,726	-23.57%
Machinery and equipment	676,257	750,213	38,492	47,515	714,749	797,728	-11.61%
Total	\$ 6,097,916	6,150,495	38,492	47,515	6,136,408	6,198,010	-1.00%

Long-Term Debt

At June 30, 2011, the District had \$743,001 in general obligation and other long-term debt outstanding. This represents a decrease of 28.48% 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, 2011 of \$165,000 payable from the Capital Project Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Levy Fund of \$384,000 at June 30, 2011.

The District had total outstanding Compensated Absences payable from the General Fund of \$41,538 at June 30, 2011.

The District had outstanding Net OPEB liability at June 30, 2011 of \$152,463. 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
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenue Bonds	\$ 165,000	325,000	-	-	165,000	325,000	-49.23%
Early Retirement	384,000	571,670	-	-	384,000	571,670	-32.83%
Compensated Absences	41,538	41,265	-	-	41,538	41,265	0.66%
Net OPEB liability	148,435	98,151	4,028	2,744	152,463	100,895	51.11%
Totals	\$ 738,973	1,036,086	4,028	2,744	743,001	1,038,830	-28.48%

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 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 Lynnette Engel, 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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Mustang Foundation
ASSETS				
Cash and cash equivalents	\$ 4,301,644	134,009	4,435,653	122,835
Receivables:				
Property tax:				
Delinquent	56,272	-	56,272	-
Succeeding year	5,249,714	-	5,249,714	-
Income surtax	586,073	-	586,073	-
Accounts	362,998	-	362,998	-
Due from other governments	424,690	-	424,690	-
Inventories	-	10,190	10,190	-
Capital assets, net of accumulated depreciation/amortization	6,097,916	38,492	6,136,408	-
TOTAL ASSETS	17,079,307	182,691	17,261,998	122,835
LIABILITIES				
Accounts payable	397,522	2,563	400,085	-
Salaries and benefits payable	1,421,981	34,673	1,456,654	-
Accrued interest payable	3,135	-	3,135	-
Deferred revenue:				
Succeeding year property tax	5,249,714	-	5,249,714	-
Other	231,338	-	231,338	-
Unearned revenue	-	4,142	4,142	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	165,000	-	165,000	-
Early retirement	48,000	-	48,000	-
Compensated absences	41,538	-	41,538	-
Portion due after one year:				
Early retirement	336,000	-	336,000	-
Net OPEB liability	148,435	4,028	152,463	-
TOTAL LIABILITIES	8,042,663	45,406	8,088,069	-
NET ASSETS				
Invested in capital assets, net of related debt	5,932,916	38,492	5,971,408	-
Restricted for:				
Categorical funding	596,520	-	596,520	-
School infrastructure	1,938,026	-	1,938,026	-
Physical plant and equipment	8,372	-	8,372	-
Management levy purposes	126,059	-	126,059	-
Student activities	116,110	-	116,110	-
Debt service	173,136	-	173,136	-
Unrestricted	145,505	98,793	244,298	122,835
TOTAL NET ASSETS	\$ 9,036,644	137,285	9,173,929	122,835

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total		Mustang Foundation
				Governmental Activities	Business Type Activities			
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 5,224,072	344,933	782,488	(4,096,651)	-	(4,096,651)	-	
Special	3,303,639	558,802	326,682	(2,418,155)	-	(2,418,155)	-	
Other	2,175,300	270,159	764,965	(1,140,176)	-	(1,140,176)	-	
	<u>10,703,011</u>	<u>1,173,894</u>	<u>1,874,135</u>	<u>(7,654,982)</u>	<u>-</u>	<u>(7,654,982)</u>	<u>-</u>	
Support services:								
Student	445,464	-	-	(445,464)	-	(445,464)	-	
Instructional staff	322,083	-	-	(322,083)	-	(322,083)	-	
Administration	1,374,167	-	-	(1,374,167)	-	(1,374,167)	-	
Operation and maintenance of plant	1,317,242	-	-	(1,317,242)	-	(1,317,242)	-	
Transportation	505,012	-	3,181	(501,831)	-	(501,831)	-	
	<u>3,963,968</u>	<u>-</u>	<u>3,181</u>	<u>(3,960,787)</u>	<u>-</u>	<u>(3,960,787)</u>	<u>-</u>	
Non-instructional programs:								
Other enterprise operations	1,724	-	-	(1,724)	-	(1,724)	-	
Other expenditures:								
Long-term debt interest	6,883	-	-	(6,883)	-	(6,883)	-	
AEA flowthrough	652,768	-	652,768	-	-	-	-	
Depreciation(unallocated)*	247,233	-	-	(247,233)	-	(247,233)	-	
	<u>906,884</u>	<u>-</u>	<u>652,768</u>	<u>(254,116)</u>	<u>-</u>	<u>(254,116)</u>	<u>-</u>	
Total governmental activities	<u>15,575,587</u>	<u>1,173,894</u>	<u>2,530,084</u>	<u>(11,871,609)</u>	<u>-</u>	<u>(11,871,609)</u>	<u>-</u>	
Business Type activities:								
Support services:								
Administration	10,208	-	-	-	(10,208)	(10,208)	-	
Operation and maintenance of plant	88	-	-	-	(88)	(88)	-	
Non-instructional programs:								
Food service operations	598,695	306,969	302,488	-	10,762	10,762	-	
Total business type activities	<u>608,991</u>	<u>306,969</u>	<u>302,488</u>	<u>-</u>	<u>466</u>	<u>466</u>	<u>-</u>	
Total primary government	<u>\$ 16,184,578</u>	<u>1,480,863</u>	<u>2,832,572</u>	<u>(11,871,609)</u>	<u>466</u>	<u>(11,871,143)</u>	<u>-</u>	
Total component unit	<u>\$ 39,349</u>	<u>-</u>	<u>8,616</u>				<u>(30,733)</u>	
General Revenues:								
Property tax levied for:								
General purposes				\$ 4,593,598	-	4,593,598	-	
Capital outlay				263,264	-	263,264	-	
Income surtax				611,152	-	611,152	-	
Statewide sales, services and use tax				841,898	-	841,898	-	
Unrestricted state grants				6,251,644	-	6,251,644	-	
Nonspecific program federal revenues				223,074	-	223,074	-	
Unrestricted investment earnings				18,256	489	18,745	3,108	
Realized gain or loss on investments				-	-	-	16,694	
Other general revenues				73,236	9,102	82,338	-	
Total general revenues				<u>12,876,122</u>	<u>9,591</u>	<u>12,885,713</u>	<u>19,802</u>	
Changes in net assets				1,004,513	10,057	1,014,570	(10,931)	
Net assets beginning of year				8,032,131	127,228	8,159,359	133,766	
Net assets end of year				<u>\$ 9,036,644</u>	<u>137,285</u>	<u>9,173,929</u>	<u>122,835</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, 2011

	General	Capital Projects	Other Nonmajor Governmental	Total
ASSETS				
Cash and pooled investments	\$ 1,697,271	1,756,504	810,498	4,264,273
Receivables:				
Property tax				
Delinquent	48,944	3,321	4,007	56,272
Succeeding year	4,631,984	267,730	350,000	5,249,714
Income surtax	586,073	-	-	586,073
Accounts	338,197	4,167	20,634	362,998
Due from other governments	165,979	258,711	-	424,690
TOTAL ASSETS	\$ 7,468,448	2,290,433	1,185,139	10,944,020
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 282,574	76,305	38,643	397,522
Salaries and benefits payable	1,421,981	-	-	1,421,981
Deferred revenue:				
Succeeding year property tax	4,631,984	267,730	350,000	5,249,714
Income surtax	586,073	-	-	586,073
Other	231,338	-	-	231,338
Total liabilities	7,153,950	344,035	388,643	7,886,628
Fund balances:				
Restricted for:				
Categorical funding	596,520	-	-	596,520
School infrastructure	-	1,938,026	-	1,938,026
Physical plant and equipment	-	8,372	-	8,372
Management levy purposes	-	-	510,059	510,059
Student activities	-	-	116,110	116,110
Debt service	-	-	173,136	173,136
Unassigned for:				
General Fund	(282,022)	-	-	(282,022)
Student activities	-	-	(2,809)	(2,809)
Total fund balances	314,498	1,946,398	796,496	3,057,392
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,468,448	2,290,433	1,185,139	10,944,020

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, 2011

Total fund balances of governmental funds(page 20)	\$	3,057,392
 <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.		6,097,916
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.		(3,135)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		37,371
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		586,073
Long-term liabilities, including bonds 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>(738,973)</u>
Net assets of governmental activities(page 18)	\$	<u>9,036,644</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, 2011

	General	Capital Projects	Other Nonmajor Governmental	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,835,593	1,105,162	350,864	6,291,619
Tuition	760,709	-	-	760,709
Other	234,409	16,730	321,092	572,231
State sources	8,134,560	185	255	8,135,000
Federal sources	802,248	-	-	802,248
Total revenues	<u>14,767,519</u>	<u>1,122,077</u>	<u>672,211</u>	<u>16,561,807</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,837,620	246,282	312,494	5,396,396
Special	3,289,897	-	-	3,289,897
Other	1,881,280	-	278,685	2,159,965
	<u>10,008,797</u>	<u>246,282</u>	<u>591,179</u>	<u>10,846,258</u>
Support services:				
Student	432,731	9,976	-	442,707
Instructional staff	260,753	59,118	-	319,871
Administration	1,329,038	10,149	3,781	1,342,968
Operation and maintenance of plant	985,262	9,498	70,129	1,064,889
Transportation	420,916	74,030	15,237	510,183
	<u>3,428,700</u>	<u>162,771</u>	<u>89,147</u>	<u>3,680,618</u>
Non-instructional programs:				
Other enterprise operations	1,724	-	-	1,724
Other expenditures:				
Facilities acquisitions	-	480,325	-	480,325
Long-term debt:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	9,270	9,270
AEA flowthrough	652,768	-	-	652,768
	<u>652,768</u>	<u>480,325</u>	<u>169,270</u>	<u>1,302,363</u>
Total expenditures	<u>14,091,989</u>	<u>889,378</u>	<u>849,596</u>	<u>15,830,963</u>
Excess(Deficiency) of revenues over(under) expenditures	675,530	232,699	(177,385)	730,844
Other financing sources(uses):				
Proceeds from sale of real property	-	5,000	-	5,000
Transfer in	-	-	156,467	156,467
Transfer out	-	(156,467)	-	(156,467)
Total other financing sources(uses)	<u>-</u>	<u>(151,467)</u>	<u>156,467</u>	<u>5,000</u>
Net change in fund balances	675,530	81,232	(20,918)	735,844
Fund balances beginning of year, as restated	(361,032)	1,865,166	817,414	2,321,548
Fund balances end of year	<u>\$ 314,498</u>	<u>1,946,398</u>	<u>796,496</u>	<u>3,057,392</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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 735,844

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

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

Capital outlays	\$ 375,641	
Depreciation expense	(428,220)	(52,579)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds		18,293
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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.		160,000
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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.		2,387
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Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		3,455
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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	187,670	
Compensated absences	(273)	
Other postemployment benefits	(50,284)	137,113

Changes in net assets of governmental activities(page 19) \$ 1,004,513

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund Flex Benefit
<u>ASSETS</u>		
Current assets:		
Cash and pooled investments	\$ 134,009	37,371
Inventories	10,190	-
Total current assets	<u>144,199</u>	<u>37,371</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	<u>38,492</u>	-
TOTAL ASSETS	<u>182,691</u>	<u>37,371</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	2,563	-
Salaries and benefits payable	34,673	-
Unearned revenue	4,142	-
Total current liabilities	<u>41,378</u>	-
Long-term liabilities:		
Net OPEB liability	<u>4,028</u>	-
TOTAL LIABILITIES	<u>45,406</u>	-
<u>NET ASSETS</u>		
Invested in capital assets	38,492	-
Unrestricted	98,793	37,371
Total net assets	<u>\$ 137,285</u>	<u>37,371</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, 2011

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Flex Benefit
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 306,969	112,211
Miscellaneous	9,102	-
	<u>316,071</u>	<u>112,211</u>
OPERATING EXPENSES:		
Support services:		
Student:		
Services	-	108,840
Administration:		
Salaries	8,794	-
Benefits	1,284	-
Services	130	-
	<u>10,208</u>	<u>-</u>
Operation and maintenance of plant:		
Services	88	-
Total support services	<u>10,296</u>	<u>108,840</u>
Non-instructional programs:		
Food service operations:		
Salaries	226,352	-
Benefits	49,924	-
Services	12,217	-
Supplies	299,836	-
Depreciation	8,790	-
Other	1,343	-
Total non-instructional programs	<u>598,462</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>608,758</u>	<u>108,840</u>
OPERATING INCOME(LOSS)	<u>(292,687)</u>	<u>3,371</u>
NON-OPERATING REVENUES(EXPENSES):		
State sources	5,383	-
Federal sources	297,105	-
Interest on investments	489	84
Loss on disposal of capital assets	(233)	-
TOTAL NON-OPERATING REVENUES	<u>302,744</u>	<u>84</u>
Change in net assets	10,057	3,455
Net assets beginning of year	<u>127,228</u>	<u>33,916</u>
Net assets end of year	<u>\$ 137,285</u>	<u>37,371</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2011

	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	\$ 306,615	-
Cash received from miscellaneous sources	9,102	112,211
Cash payments to employees for services	(284,442)	(108,840)
Cash payments to suppliers for goods or services	(266,784)	-
Net cash provided by(used in) operating activities	<u>(235,509)</u>	<u>3,371</u>
Cash flows from non-capital financing activities:		
State grants received	5,383	-
Federal grants received	249,034	-
Net cash provided by non-capital financing activities	<u>254,417</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	489	84
Net cash provided by investing activities	<u>489</u>	<u>84</u>
Net increase in cash and cash equivalents	19,397	3,455
Cash and cash equivalents at beginning of year	<u>114,612</u>	<u>33,916</u>
Cash and cash equivalents at end of year	<u>\$ 134,009</u>	<u>37,371</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (292,687)	3,371
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Commodities used	48,071	-
Depreciation	8,790	-
Increase in inventories	(2,712)	-
Increase in accounts payable	1,471	-
Increase in salaries and benefits payable	628	-
Decrease in unearned revenue	(354)	-
Increase in other postemployment benefits	1,284	-
Net cash provided by(used in) operating activities	<u>\$ (235,509)</u>	<u>3,371</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$48,071.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 9,491
Accounts receivable	70
TOTAL ASSETS	<u>9,561</u>
LIABILITIES	
Accounts payable	73
Due to other groups	9,488
TOTAL LIABILITIES	<u>9,561</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, 2011

		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
JUNE 30, 2011

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.

These financial statements present Independence Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The Mustang Foundation was created to financially support the Independence Community School District and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The foundation is accounted for as a component unit in these financial statements.

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 service.

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

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

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

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 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. Combining schedules are also included for the Capital Project Fund accounts.

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 Internal Service Fund is charged back to the Governmental funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities and Fund Balances

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

Property Tax Receivable - 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. 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, equipment, and intangibles 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
Intangibles	25,000
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
Intangibles	2-10 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 2011, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2011.

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, 2011. 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, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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.

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.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011.

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. 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.

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. 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. The interest rate on the series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/2010	6/23/2011	\$ -	\$ 2,625,000	\$ 2,625,000	\$ -

During the year ended June 20, 2011, the District paid \$5,458 of interest on the ISCAP warrants.

Note 4. Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 156,467

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

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
Business type activities:				
Machinery and equipment	\$ 238,605	-	8,429	230,176
Less accumulated depreciation	191,090	8,790	8,196	191,684
Business type activities capital assets, net	<u>\$ 47,515</u>	<u>(8,790)</u>	<u>233</u>	<u>38,492</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,141,353	-	-	1,141,353
Construction in progress	77,630	39,703	62,755	54,578
Total capital assets not being depreciated	<u>1,218,983</u>	<u>39,703</u>	<u>62,755</u>	<u>1,195,931</u>
Capital assets being depreciated:				
Buildings	8,073,573	291,662	-	8,365,235
Land improvements	1,125,877	-	-	1,125,877
Machinery and equipment	1,790,360	107,031	35,522	1,861,869
Total capital assets being depreciated	<u>10,989,810</u>	<u>398,693</u>	<u>35,522</u>	<u>11,352,981</u>
Less accumulated depreciation for:				
Buildings	4,096,000	208,378	-	4,304,378
Land improvements	922,151	38,855	-	961,006
Machinery and equipment	1,040,147	180,987	35,522	1,185,612
Total accumulated depreciation	<u>6,058,298</u>	<u>428,220</u>	<u>35,522</u>	<u>6,450,996</u>
Total capital assets being depreciated, net	<u>4,931,512</u>	<u>(29,527)</u>	<u>-</u>	<u>4,901,985</u>
Governmental activities capital assets, net	<u>\$ 6,150,495</u>	<u>10,176</u>	<u>62,755</u>	<u>6,097,916</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,295
Special	1,750
Other	12,689
Support services:	
Administration	32,487
Operation and maintenance of plant services	11,374
Transportation	103,392
	<u>180,987</u>
Unallocated depreciation	<u>247,233</u>
Total governmental activities depreciation expense	<u>\$ 428,220</u>
Business type activities:	
Food services	<u>\$ 8,790</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, 2011 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 325,000	-	160,000	165,000	165,000
Early Retirement	571,670	-	187,670	384,000	48,000
Compensated Absences	41,265	41,538	41,265	41,538	41,538
Net OPEB Liability	98,151	50,284	-	148,435	-
Total	\$ 1,036,086	91,822	388,935	738,973	254,538
<u>Business Type Activities:</u>					
Net OPEB Liability	\$ 2,744	1,284	-	4,028	-

Bonded debt

On May 1, 2006, the District issued statewide sales, services and use tax revenue bonds of \$760,000 to finance school infrastructure. The revenue bonds will be paid with statewide sales, services and use tax collected in the Capital Projects Fund. Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Rate	Principal	Interest	Total
2012	3.80 %	\$ 165,000	3,135	168,135

The District has pledged future statewide sales, services and use tax revenues to repay the \$760,000. The bonds are payable solely from the proceeds of the statewide sales, services and use 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 \$168,135. For the current year \$160,000 in principal and \$9,270 in interest was paid on the bonds and total statewide sales and services tax revenues were \$841,898.

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

- a) The bonds will only be redeemed from future earnings of the statewide sales, services and use 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, services and use 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.

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 following benefits were for retirees of the 2010 fiscal year. The District did not offer an early retirement benefit for the 2011 fiscal year.

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, 2011. 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, 2011. Early retirees can elect for retirement benefits to 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, 2011, the District has obligations to eight participants with a total liability of \$384,000. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$187,670. 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)

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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 81,775
Interest on net OPEB obligation	2,522
Adjustment to annual required contribution	(4,703)
Annual OPEB cost	<u>79,594</u>
Contributions made	<u>(28,026)</u>
Increase in net OPEB obligation	51,568
Net OPEB obligation beginning of year	<u>100,895</u>
Net OPEB obligation end of year	<u>\$ 152,463</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, 2011.

For the year ended June 30, 2011, the District contributed \$28,026 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 76,167	37.70 %	\$ 47,454
2010	81,467	34.40	100,895
2011	79,594	35.21	152,463

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$7,191,123, and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2011, 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$573,153, \$568,274, and \$559,489 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 \$652,768 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

As of June 30, 2011 the District has incurred costs of \$54,578 for construction of a new High School. The project will continue in the 2011-12 school year and will be capitalized upon completion.

Note 12. Deficit Balances

The District had a deficit unassigned fund balance in the General Fund of \$282,022. We also noted various accounts in the Special Revenue, Student Activity Fund with deficit balances totaling \$2,809.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 1,726,729	\$ 138,437
Change in fund type classification per implementation of GASB Statement No. 54	138,437	(138,437)
Balance July 1, 2010 as restated	<u>\$ 1,865,166</u>	<u>\$ 0</u>

Note 14. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 26,297
Limited english proficiency weighting	9,235
Statewide voluntary preschool	59,653
Gifted and talented	138,102
Dropout and dropout prevention	76,805
Educator quality, professional development	75,730
Educator quality, basic salary	136,431
Beginning teacher mentoring and induction program	2,632
Professional development for model core curriculum	71,635
Total reserved for cateforical funding	<u><u>\$ 596,520</u></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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 7,624,559	316,560	7,941,119	8,462,213	8,462,213	(521,094)
State sources	8,135,000	5,383	8,140,383	9,055,642	9,055,642	(915,259)
Federal sources	802,248	297,105	1,099,353	747,000	747,000	352,353
Total revenues	16,561,807	619,048	17,180,855	18,264,855	18,264,855	(1,084,000)
Expenditures/Expenses:						
Instruction	10,846,258	-	10,846,258	11,447,620	11,447,620	601,362
Support services	3,680,618	10,296	3,690,914	4,418,000	4,418,000	727,086
Non-instructional programs	1,724	598,695	600,419	625,000	625,000	24,581
Other expenditures	1,302,363	-	1,302,363	1,842,467	1,842,467	540,104
Total expenditures/expenses	15,830,963	608,991	16,439,954	18,333,087	18,333,087	1,893,133
Excess(deficiency) of revenues over(under) expenditures/expenses	730,844	10,057	740,901	(68,232)	(68,232)	809,133
Other financing sources, net	5,000	-	5,000	-	-	5,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	735,844	10,057	745,901	(68,232)	(68,232)	814,133
Balance beginning of year	2,321,548	127,228	2,448,776	2,327,401	2,327,401	121,375
Balance end of year	\$ 3,057,392	137,285	3,194,677	2,259,169	2,259,169	935,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 616,003	\$ 616,003	0.0 %	\$ 7,821,374	7.9 %
2010	July 1, 2008	-	616,003	616,003	0.0	8,799,125	7.0
2011	July 1, 2008	-	616,003	616,003	0.0	7,191,123	8.6

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2011

	Mustang Foundation
ASSETS	
Cash and cash equivalents	\$ 122,835
LIABILITIES	-
NET ASSETS	\$ 122,835

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2011

	Mustang Foundation
Revenue:	
Contributions, gifts, grants and similar amounts	\$ 8,616
Interest	3,108
Realized gain or loss on investments	16,694
Total revenue	28,418
Expenses:	
Grants and similar amounts paid:	
Grants	37,312
Other:	
Bank fees	98
Contribution fees	1,436
Investment fees	503
Total expenses	39,349
Excess of revenue over expenses	(10,931)
Net assets beginning of year	133,766
Net assets end of year	\$ 122,835

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Other Supplementary Information

INDEPENDENCE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 506,052	131,310	637,362	173,136	810,498
Receivables:					
Property tax:					
Delinquent	4,007	-	4,007	-	4,007
Succeeding year	350,000	-	350,000	-	350,000
Accounts	-	20,634	20,634	-	20,634
TOTAL ASSETS	\$ 860,059	151,944	1,012,003	173,136	1,185,139
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	38,643	38,643	-	38,643
Deferred revenue:					
Succeeding year property tax	350,000	-	350,000	-	350,000
Total liabilities	350,000	38,643	388,643	-	388,643
Fund balances:					
Restricted for:					
Management levy purposes	510,059	-	510,059	-	510,059
Student activities	-	116,110	116,110	-	116,110
Debt service	-	-	-	173,136	173,136
Unassigned	-	(2,809)	(2,809)	-	(2,809)
Total fund balances	510,059	113,301	623,360	173,136	796,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 860,059	151,944	1,012,003	173,136	1,185,139

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, 2011

	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 350,864	-	350,864	-	350,864
Other	17,278	303,814	321,092	-	321,092
State sources	255	-	255	-	255
TOTAL REVENUES	368,397	303,814	672,211	-	672,211
EXPENDITURES:					
Current:					
Instruction					
Regular	312,494	-	312,494	-	312,494
Other	-	278,685	278,685	-	278,685
Support services:					
Administration	3,781	-	3,781	-	3,781
Operation and maintenance of plant	70,129	-	70,129	-	70,129
Transportation	15,237	-	15,237	-	15,237
Long-term Debt:					
Principal	-	-	-	160,000	160,000
Interest and fiscal charges	-	-	-	9,270	9,270
TOTAL EXPENDITURES	401,641	278,685	680,326	169,270	849,596
Excess(Deficiency) of revenues over(under) expenditures	(33,244)	25,129	(8,115)	(169,270)	(177,385)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	156,467	156,467
Net change in fund balances	(33,244)	25,129	(8,115)	(12,803)	(20,918)
Fund balances beginning of year, as restated	543,303	88,172	631,475	185,939	817,414
Fund balances end of year	\$ 510,059	113,301	623,360	173,136	796,496

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS

JUNE 30, 2011

	Capital Projects Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,744,016	12,488	\$ 1,756,504
Receivables:			
Property tax:			
Delinquent	-	3,321	3,321
Succeeding year	-	267,730	267,730
Accounts	4,167	-	4,167
Due from other governments	258,711	-	258,711
TOTAL ASSETS	\$ 2,006,894	283,539	2,290,433
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,868	7,437	76,305
Deferred revenue			
Succeeding year property tax	-	267,730	267,730
Total liabilities	68,868	275,167	344,035
Fund balances:			
Restricted for:			
School infrastructure	1,938,026	-	1,938,026
Physical plant and equipment	-	8,372	8,372
	1,938,026	8,372	1,946,398
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,006,894	283,539	2,290,433

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2011

	Capital Project Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 841,898	263,264	\$ 1,105,162
Other	4,167	12,563	16,730
State sources	-	185	185
TOTAL REVENUES	<u>846,065</u>	<u>276,012</u>	<u>1,122,077</u>
EXPENDITURES:			
Current:			
Instruction			
Regular	59,925	186,357	246,282
Support services:			
Student	9,976	-	9,976
Instructional staff	1,630	57,488	59,118
Administration	-	10,149	10,149
Operation and maintenance of plant	3,998	5,500	9,498
Transportation	-	74,030	74,030
Other expenditures:			
Facilities acquisition	402,772	77,553	480,325
TOTAL EXPENDITURES	<u>478,301</u>	<u>411,077</u>	<u>889,378</u>
Excesss (Deficiency) of revenues over (under) expenditures	367,764	(135,065)	232,699
OTHER FINANCING (SOURCES) USES:			
Proceeds sale of real property	-	5,000	5,000
Transfer out	(156,467)	-	(156,467)
Total other financing (sources) uses	<u>(156,467)</u>	<u>5,000</u>	<u>(151,467)</u>
Net change in fund balances	211,297	(130,065)	81,232
Fund balances beginning of year, as restated	<u>1,726,729</u>	<u>138,437</u>	<u>1,865,166</u>
Fund balances end of year	<u>\$ 1,938,026</u>	<u>8,372</u>	<u>1,946,398</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, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
INTEREST	\$ 667	593	-	1,260
HIGH SCHOOL:				
DRAMA	94	-	-	94
SPEECH	3,087	7,816	6,073	4,830
VOCAL MUSIC	8,047	10,573	16,889	1,731
CHOIR TRIP	-	12,591	-	12,591
BAND	(2,523)	20,247	11,251	6,473
FOOTBALL CONCESSIONS	3,621	22,202	25,008	815
BOYS CROSS COUNTRY	1,652	880	1,188	1,344
BOYS BASKETBALL	(383)	4,254	3,222	649
FOOTBALL	255	16,865	16,184	936
BOYS SOCCER	(833)	174	1,166	(1,825)
BASEBALL	1,461	13,871	10,485	4,847
BOYS TRACK	63	262	-	325
BOYS TENNIS	973	200	160	1,013
BOYS GOLF	(308)	1,908	1,477	123
WRESTLING	(633)	5,576	4,972	(29)
GIRLS BASKETBALL	2,077	3,596	3,593	2,080
VOLEYBALL	4,449	4,510	3,848	5,111
GIRLS SOCCER	1,193	4,413	4,708	898
SOFTBALL	128	3,775	4,183	(280)
GIRLS TRACK	501	1,826	2,153	174
GIRLS TENNIS	118	1,490	1,355	253
GIRLS GOLF	322	346	345	323
ACTIVITY	400	62,065	45,693	16,772
CONCESSIONS	5,054	22,329	27,383	-
MUSICAL	6,863	17,561	13,725	10,699
BAND TRIP	6,023	-	-	6,023
AWARDS	500	-	-	500
YEARBOOK	2,540	12,925	16,084	(619)
STUDENT COUNCIL	9,260	6,707	8,626	7,341
FRENCH CLUB	161	-	-	161
GRADUATING CLASS	100	-	-	100
CHEERLEADERS	592	3,843	2,004	2,431
MIDDLE SCHOOL:				
BOYS CROSS COUNTRY	13	-	13	-
BOYS BASKETBALL	43	968	-	1,011
FOOTBALL	(1,107)	1,360	-	253
BOYS TRACK	467	-	523	(56)
WRESTLING	702	1,484	-	2,186
GIRLS BASKETBALL	(187)	937	120	630
VOLEYBALL	163	716	-	879
GIRLS TRACK	774	-	523	251
FUNDRAISING	25,564	13,889	26,681	12,772
BCSC	202	2,543	1,278	1,467
EAST ELEMENTARY	3,894	796	4,363	327
WEST ELEMENTARY	2,123	17,723	13,409	6,437
TOTALS	\$ 88,172	303,814	278,685	113,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 7,480	5,076	3,065	9,491
Accounts receivable	-	70	-	70
	<u>\$ 7,480</u>	<u>5,146</u>	<u>3,065</u>	<u>9,561</u>
LIABILITIES				
Accounts payable	\$ -	73	-	73
Due to other groups	7,480	5,073	3,065	9,488
	<u>\$ 7,480</u>	<u>5,146</u>	<u>3,065</u>	<u>9,561</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 TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 6,291,619	6,315,555	5,699,240	5,508,630
Tuition	760,709	807,405	925,280	826,479
Other	572,231	673,449	840,882	1,086,553
State sources	8,135,000	7,255,815	8,060,702	7,801,675
Federal sources	802,248	1,419,772	518,891	443,153
Total	\$ 16,561,807	16,471,996	16,044,995	15,666,490
Expenditures:				
Instruction	\$ 10,846,258	10,674,290	11,240,539	10,264,546
Support services:				
Student	442,707	449,996	515,751	497,687
Instructional staff	319,871	402,599	484,002	1,062,218
Administration	1,342,968	1,470,517	1,338,352	1,441,608
Operation and maintenance of plant	1,064,889	1,061,730	1,104,252	1,160,954
Transportation	510,183	470,334	617,555	439,476
Non-instructional programs	1,724	1,514	1,440	1,558
Other expenditures:				
Facilities acquisitions	480,325	361,533	458,891	299,440
Long-term debt:				
Principal	160,000	169,334	391,363	282,699
Interest and fiscal charges	9,270	14,500	202,724	16,261
Judgments against LEA	-	-	173,805	-
AEA flow-through	652,768	635,787	554,260	524,432
Total	\$ 15,830,963	15,712,134	17,082,934	15,990,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 7

2007	2006	2005	2004	2003	2002
5,260,463	5,011,553	4,665,107	4,467,364	4,000,592	3,744,883
739,581	662,747	606,646	640,397	749,227	921,262
812,275	634,415	799,629	603,915	538,604	537,907
7,439,792	7,073,499	6,761,303	6,382,559	6,493,857	6,428,492
951,267	656,204	685,363	919,975	513,828	485,192
<u>15,203,378</u>	<u>14,038,418</u>	<u>13,518,048</u>	<u>13,014,210</u>	<u>12,296,108</u>	<u>12,117,736</u>
9,683,436	8,905,082	9,099,199	8,900,972	8,374,669	8,522,007
414,230	429,335	339,021	357,768	335,202	314,852
530,699	554,042	408,158	330,864	291,618	271,245
1,332,379	1,099,365	1,009,887	1,023,851	1,010,558	1,046,219
1,068,259	1,046,250	987,515	986,309	996,777	818,692
577,204	443,561	396,293	372,190	401,680	279,530
8,733	1,474	-	4,220	4,594	4,653
1,449,724	425,213	704,941	360,022	230,843	101,319
235,000	100,000	100,000	95,000	105,000	105,000
40,470	14,836	12,787	15,557	38,820	37,475
-	-	-	-	-	-
497,369	465,666	443,869	450,291	480,925	482,597
<u>15,837,503</u>	<u>13,484,824</u>	<u>13,501,670</u>	<u>12,897,044</u>	<u>12,270,686</u>	<u>11,983,589</u>

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHIOOLS & COMMUNITIES- NATIONAL PROGRAMS	84.184	FY 11	\$ 1,025
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	34,764
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	262,341 *
			<u>297,105</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	189,684
TITLE I - SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 11	10,300
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	61,969
			<u>261,953</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 11	41,800
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 11	1,700
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	68,723
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	8,834
ARRA STABILIZATION CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	3,936
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	79,129
			<u>83,065 **</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	70,579 **
EDUCATION JOBS FUNDS	84.410	FY 11	69,431
AREA EDUCATION AGENCY 267:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	11,249
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	77,332
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 11	518
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 11	100,564
			<u>178,414</u>
PARENTAL ASSISTANCE CENTERS (SAI)	84.310	FY 10	1,268
TOTAL			<u>\$ 1,095,146</u>

* Includes \$48,071 of non-cash awards

** Total for ARRA Fiscal Stabilization Cluster is \$153,644

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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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2012. 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 an opinion on the effectiveness of Independence Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Independence Community School District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be significant deficiencies.

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, 2011 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.

January 24, 2012

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of Independence Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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.

January 24, 2012

INDEPENDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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 was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (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:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program

 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (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 noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Scholarship Checks - We noted during our audit that the District wrote checks to students for scholarships from the Private Purpose Trust Fund. The checks did not include the college the student was attending as the payee.

Recommendation - The checks issued for scholarship awards should be written out to the student and college the student is attending.

Response - The District will include the college's name as the payee for scholarships as well as send the checks directly to the college or university.

Conclusion - Response accepted.

II-B-11 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to

account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund”.

The District appears to be accounting for money received from pop machines and for flowers in the Agency fund. It would appear that the money received from the pop machines is actually District money. Therefore the District would be improperly accounting for District funds received from pop machines as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an ‘agent’ for non-District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

Response - The District will move these pop accounts to the General Fund.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-11 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-11 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jami Tekippe, Secretary Spouse owns Hardware Hank	Supplies	\$3,313
Vern Lohman, Bus Driver Son and daughter-in-law own Vern's True Value	Supplies	\$17,995

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-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 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-J-11 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-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Financial Condition - The District had deficit unassigned fund balance in the General Fund of \$282,022 at June 30, 2011. The District had various deficit accounts in the Special Revenue, Student Activity Fund totaling \$2,809 at June 30, 2011.

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 monitor spending and investigate alternatives to eliminate the deficit accounts.

Conclusion - Response accepted.

IV-M-11 Statewide Sales, Services and Use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,726,729
Revenues:		
Sales tax revenues	\$ 841,898	
Other local revenues	4,167	846,065
	<u> </u>	<u>2,572,794</u>
Expenditures:		
School infrastructure construction	380,748	
Equipment	68,022	
Other	29,531	
Transfers to other funds:		
Debt service fund	156,467	634,768
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 1,938,026</u></u>

For the year ended June 30, 2011 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.