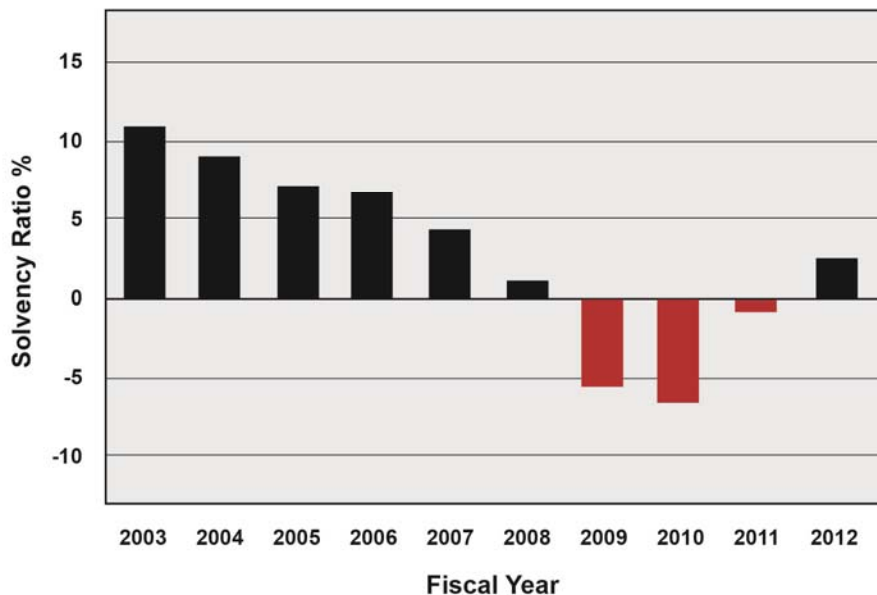


Back in Black – ICSD Achieves Positive Solvency Ratio

October 24, 2012 (*Independence, IA*) – For the first time since the 2008 fiscal year, the Independence Community School District (ICSD) has reported a positive solvency ratio of 2.3%. You may be asking, what exactly IS a solvency ratio and why is it important?

The solvency ratio is a measure of the district’s ability to service debts. You may liken it to your personal debt-to-income ratio. When you apply for something like an auto loan, financial institutions take into account your overall income versus any current debts and expenses you have. The same is true for the district. If cash flow is low, as it has been in previous years, the district takes out a line of credit to cover expenses. Having a high solvency ratio, or debt-to-income ratio, helps in not having to take out loans or securing loans with lower interest rates.

“In previous years, primarily when the solvency ratio has been negative, the district has been forced to borrow money to cover basic expenses like payroll. We then incur additional expenses with loan origination fees as well as loan interest. Fiscal year 2012 is the first year in a long time where we haven’t had to take out lines of credit”, stated Lynnette Engel, ICSD Director of Finance.



This graph shows the district’s solvency ratios from fiscal year 2003 to the reported ratio this year. The lowest solvency ratio was -6.2% just two years ago.

The ICSD Board of Education has indicated that one of their goals is to continue to responsibly manage fiscal resources. The desired outcome is to increase the district’s solvency ratio by 2% annually and obtain an 8-10% solvency ratio by 2016. Although the district’s solvency ratio has declined each year from 2003 through 2010, the district has reversed the trend with two consecutive years of increases in the solvency ratio.

“Getting back into a positive ratio helps prove to financial institutions that the district is a good investment. It also helps get better rates when selling bonds. We are optimistic about heading in the right direction, but we know there is still more work to be done,” added Rusty Donnelly, School Board Member. Board President Brian Eddy notes “a positive solvency ratio helps demonstrate to the taxpayers that the district is operating efficiently. The administration’s relatively recent implementation of a line-item budget and use of financial forecasting are key resources that will help us monitor and project our financial position.”

FOR IMMEDIATE RELEASE

More information regarding the Board of Education goals can be found on the district's website at www.indee.k12.ia.us. You may also contact Superintendent Peterson with any questions at (319) 334-7400.

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